

**Nien Hsing Textile Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report**

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Nien Hsing Textile Co., Ltd. as of and for the year ended December 31, 2012, which have to be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Nien Hsing Textile Co., Ltd. and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

NIEN HSING TEXTILE CO., LTD.

By

CHAO-GUO, CHEN
Chairman

March 19, 2013

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Nien Hsing Textile Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nien Hsing Textile Co., Ltd. (the "Company") and subsidiaries as of December 31, 2012 and 2011 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nien Hsing Textile Co., Ltd. and subsidiaries as of December 31, 2012 and 2011 and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 19, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,537,138	12	\$ 809,727	6	Short-term loans (Note 13)	\$ 439,850	3	\$ 702,091	5
Available-for-sale financial assets - current (Notes 2 and 5)	50,632	1	650,157	4	Notes payable	120,172	1	87,710	1
Notes receivable (Notes 2 and 3)	7,493	-	16,895	-	Accounts payable	515,129	4	379,267	3
Accounts receivable, net of allowance for doubtful accounts of \$127,156 thousand in 2012 and \$137,975 thousand in 2011 (Notes 2 and 3)	1,887,724	14	2,065,482	14	Payable to related parties (Note 21)	27,642	-	11,695	-
Other financial assets - current	47,820	-	30,539	-	Income tax payable (Notes 2 and 17)	83,198	1	163,160	1
Inventories, net (Notes 2 and 6)	3,057,700	23	3,824,357	26	Accrued expenses	477,549	4	554,860	4
Deferred income tax assets - current (Notes 2 and 17)	46,868	-	82,261	1	Other payables (Note 16)	63,353	-	55,435	-
Other current assets	258,172	2	234,759	2	Advance receipts	17,551	-	29,496	-
Total current assets	6,893,547	52	7,714,177	53	Current portion of long-term bank loans (Notes 14 and 22)	330,000	3	107,987	1
					Other current liabilities	47,998	-	176,258	1
					Total current liabilities	2,122,442	16	2,267,959	16
LONG-TERM INVESTMENTS (Notes 2, 7, 8 and 9)					LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent	1,009,510	8	1,037,269	7	Bank loans, net of current portion (Notes 14 and 22)	300,000	2	630,000	4
Bond investments with no active market - noncurrent	410,614	3	540,639	4					
Investments accounted for by the equity method	325,892	2	359,266	2	OTHER LIABILITIES				
Total long-term investments	1,746,016	13	1,937,174	13	Accrued pension cost (Notes 2 and 15)	284,616	2	253,735	2
					Guarantee deposits received	1,999	-	2,036	-
					Deferred income tax liabilities (Notes 2 and 17)	232,352	2	231,276	1
					Total other liabilities	518,967	4	487,047	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 22)					Total liabilities	2,941,409	22	3,385,006	23
Cost					STOCKHOLDERS' EQUITY				
Land	402,784	3	405,779	3	Capital stock of parent company - NT\$10.00 par value				
Land improvements	1,516	-	1,516	-	Authorized - 600,000 thousand shares				
Buildings	3,375,426	26	3,263,520	22	Issued and outstanding - 433,125 thousand shares in 2012; 481,250 thousand shares in 2011	4,331,250	33	4,812,500	33
Machinery and equipment	5,639,026	43	5,705,230	39	Capital surplus				
Transportation equipment	76,106	1	75,974	-	Issue of stock in excess of par value	89	-	89	-
Office equipment	66,785	-	37,048	-	Treasury stock transactions	5,952	-	5,952	-
Miscellaneous equipment	1,368,410	10	1,409,500	10	Gain on disposal of property, plant and equipment	255	-	255	-
Total cost	10,930,053	83	10,898,567	74	From business combinations	380,471	3	380,344	3
Less: Accumulated depreciation	7,030,542	53	6,639,930	45	Total capital surplus	386,767	3	386,640	3
	3,899,511	30	4,258,637	29	Retained earnings				
Constructions in progress and prepayments for equipment	174,392	1	287,108	2	Legal reserve	1,915,701	14	1,840,105	12
Net property, plant and equipment	4,073,903	31	4,545,745	31	Unappropriated earnings	4,174,094	32	3,973,081	27
					Total retained earnings	6,089,795	46	5,813,186	39
INTANGIBLE ASSETS					Others				
Deferred pension costs (Notes 2 and 15)	24,101	-	-	-	Cumulative translation adjustments	(709,285)	(5)	(432,597)	(3)
Technical know-how (Note 2)	43,053	1	44,846	-	Net loss not recognized as pension cost	(2,101)	-	-	-
Total intangible assets	67,154	1	44,846	-	Unrealized gain on financial instruments	49,575	-	625,395	4
					Total others	(661,811)	(5)	192,798	1
OTHER ASSETS					Minority interest	96,145	1	101,833	1
Assets leased to others, net (Notes 2 and 11)	203,931	2	229,706	2	Total stockholders' equity	10,242,146	78	11,306,957	77
Idle assets (Note 2)	17,397	-	43,173	-					
Refundable deposit	19,629	-	20,005	-	TOTAL	\$ 13,183,555	100	\$ 14,691,963	100
Deferred charges, net (Note 2)	140,133	1	135,292	1					
Others (Note 12)	21,845	-	21,845	-					
Total other assets	402,935	3	450,021	3					
TOTAL	\$ 13,183,555	100	\$ 14,691,963	100					

The accompanying notes are an integral part of the consolidated financial statements.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2, 21 and 28)				
Sales	\$ 13,167,093	100	\$ 13,101,304	100
Less: Sales returns and allowances	<u>23,643</u>	<u>-</u>	<u>18,175</u>	<u>-</u>
Net sales	13,143,450	100	13,083,129	100
Processing income	<u>25,710</u>	<u>-</u>	<u>24,257</u>	<u>-</u>
Total operating revenues	<u>13,169,160</u>	<u>100</u>	<u>13,107,386</u>	<u>100</u>
OPERATING COSTS (Notes 2, 6 and 18)				
Cost of goods sold	12,271,769	93	11,801,094	90
Processing cost	<u>28,954</u>	<u>-</u>	<u>24,138</u>	<u>-</u>
Total operating costs	<u>12,300,723</u>	<u>93</u>	<u>11,825,232</u>	<u>90</u>
GROSS PROFIT	<u>868,437</u>	<u>7</u>	<u>1,282,154</u>	<u>10</u>
OPERATING EXPENSES (Note 18)				
Selling	504,371	4	418,720	3
Administrative	245,021	2	221,558	2
Research and development	<u>71,881</u>	<u>-</u>	<u>81,578</u>	<u>1</u>
Total operating expenses	<u>821,273</u>	<u>6</u>	<u>721,856</u>	<u>6</u>
OPERATING INCOME	<u>47,164</u>	<u>1</u>	<u>560,298</u>	<u>4</u>
NONOPERATING INCOME AND GAINS				
Interest income	36,961	-	36,760	-
Investment income recognized under the equity method (Notes 2 and 9)	14,722	-	42,043	-
Dividend income	5,200	-	46,952	-
Gain on disposal of property, plant and equipment, and idle assets (Notes 2 and 10)	24,213	-	-	-
Gain on disposal of investments, net (Notes 2, 5, 7 and 8)	736,376	6	256,852	2
Rental revenue (Note 21)	21,018	-	21,077	-
Gain on reversal of bad debts (Note 2)	6,367	-	7,219	-
Refund of customs duties (Note 26)	151,604	1	193,743	2
Miscellaneous income (Note 21)	<u>91,928</u>	<u>1</u>	<u>103,712</u>	<u>1</u>
Total nonoperating income and gains	<u>1,088,389</u>	<u>8</u>	<u>708,358</u>	<u>5</u>

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ 13,572	-	\$ 18,114	-
Loss on disposal of property, plant and equipment (Notes 2 and 10)	-	-	29,419	-
Realized loss on long-term investments (Notes 2 and 7)	1,170	-	-	-
Exchange loss, net (Note 2)	57,913	-	125,550	1
Impairment loss (Notes 2 and 7)	4,609	-	21,027	-
Fire loss (Note 25)	114,755	1	-	-
Miscellaneous expenses (Notes 11 and 18)	<u>68,689</u>	<u>1</u>	<u>129,439</u>	<u>1</u>
Total nonoperating expenses and losses	<u>260,708</u>	<u>2</u>	<u>323,549</u>	<u>2</u>
INCOME BEFORE INCOME TAX	874,845	7	945,107	7
INCOME TAX EXPENSE (Notes 2 and 17)	<u>118,657</u>	<u>1</u>	<u>195,011</u>	<u>1</u>
CONSOLIDATED NET INCOME	<u>\$ 756,188</u>	<u>6</u>	<u>\$ 750,096</u>	<u>6</u>
NET INCOME ATTRIBUTED TO:				
Stockholders of parent company	\$ 759,569	6	\$ 755,959	6
Minority interest	<u>(3,381)</u>	<u>-</u>	<u>(5,863)</u>	<u>-</u>
	<u>\$ 756,188</u>	<u>6</u>	<u>\$ 750,096</u>	<u>6</u>
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic (New Taiwan Dollars)	<u>\$ 1.89</u>	<u>\$ 1.64</u>	<u>\$ 1.78</u>	<u>\$ 1.44</u>
Diluted (New Taiwan Dollars)	<u>\$ 1.89</u>	<u>\$ 1.64</u>	<u>\$ 1.78</u>	<u>\$ 1.44</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011**

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock Issued and Outstanding		Capital Surplus (Notes 2 and 16)					Retained Earnings (Notes 2, 16 and 17)		Cumulative Translation Adjustment (Note 2)	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 5)	Minority Interest	Total Stockholders' Equity
	Thousand Shares	Amount	Issue of Stock in Excess of Par Value	Treasury Stock Transaction	Gain on Disposal of Property, Plant and Equipment	From Business Combination	Legal Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2011	550,000	\$ 5,500,000	\$ 89	\$ 5,952	\$ 255	\$ 380,344	\$ 1,695,837	\$ 4,048,890	\$ (730,745)	\$ -	\$ 1,292,520	\$ 100,803	\$ 12,293,945	
Appropriation of the 2010 earnings														
Legal reserve	-	-	-	-	-	-	144,268	(144,268)	-	-	-	-	-	
Cash dividends - NT\$1.25 per share	-	-	-	-	-	-	-	(687,500)	-	-	-	-	(687,500)	
Capital reduction	(68,750)	(687,500)	-	-	-	-	-	-	-	-	-	-	(687,500)	
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	-	-	755,959	-	-	-	(5,863)	750,096	
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	3,860	3,860	
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(551,372)	-	(551,372)	
Adjustment arising from equity-method investments	-	-	-	-	-	-	-	-	-	-	(115,753)	-	(115,753)	
Change in translation adjustment	-	-	-	-	-	-	-	-	298,148	-	-	3,033	301,181	
BALANCE, DECEMBER 31, 2011	481,250	4,812,500	89	5,952	255	380,344	1,840,105	3,973,081	(432,597)	-	625,395	101,833	11,306,957	
Appropriation of the 2011 earnings														
Legal reserve	-	-	-	-	-	-	75,596	(75,596)	-	-	-	-	-	
Cash dividends - NT\$1.00 per share	-	-	-	-	-	-	-	(481,250)	-	-	-	-	(481,250)	
Capital reduction	(48,125)	(481,250)	-	-	-	-	-	-	-	-	-	-	(481,250)	
Consolidated net income for the year ended December 31, 2012	-	-	-	-	-	-	-	759,569	-	-	-	(3,381)	756,188	
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(576,272)	-	(576,272)	
Adjustment arising from equity-method investments	-	-	-	-	-	127	-	(1,710)	-	-	452	1,710	579	
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(2,101)	-	-	(2,101)	
Change in translation adjustment	-	-	-	-	-	-	-	-	(276,688)	-	-	(4,017)	(280,705)	
BALANCE, DECEMBER 31, 2012	433,125	\$ 4,331,250	\$ 89	\$ 5,952	\$ 255	\$ 380,471	\$ 1,915,701	\$ 4,174,094	\$ (709,285)	\$ (2,101)	\$ 49,575	\$ 96,145	\$ 10,242,146	

The accompanying notes are an integral part of the consolidated financial statements.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 756,188	\$ 750,096
Adjustment to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	801,039	808,685
Reversal of allowance for doubtful accounts	(6,367)	(7,219)
Allowance (reversal of allowance) for loss on inventories	(100,408)	213,033
Net gains on disposal of investments	(736,376)	(256,852)
Cash dividends received from equity-method investees	17,641	48,058
Investment income recognized under the equity method	(14,722)	(42,043)
Loss (gain) on disposal of property, plant and equipment, and idle assets	(24,213)	29,419
Fire loss	114,755	-
Realized loss on long-term investments	1,170	-
Impairment losses on goodwill and financial assets carried at cost	4,609	21,027
Amortization of premium on bond investments with no active market	8,613	7,468
Provision for pension costs	4,679	14,980
Deferred income taxes	36,469	(1,261)
Others	(92,225)	92,352
Net changes in operating assets and liabilities:		
Notes receivable	8,599	14,737
Accounts receivable	187,815	(301,331)
Other financial assets	(14,891)	(6,497)
Inventories	759,475	(1,034,493)
Other current assets	(23,686)	(5,833)
Notes payable	32,488	(60,942)
Accounts payable	135,926	(113,442)
Payable to related parties	15,947	(17,820)
Income tax payable	(79,962)	6,507
Accrued expenses	(76,978)	9,267
Other payables	7,940	765
Advance receipts	(11,945)	22,606
Other current liabilities	(32,448)	40,853
Net cash provided by operating activities	<u>1,679,132</u>	<u>232,120</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(6,874)
Proceeds of the disposal of available-for-sale financial assets	739,070	277,566
Return of capital on financial assets carried at cost	2,006	3,855
Acquisition of financial assets carried at cost	(23,707)	(3,111)
Proceeds of the disposal of financial assets carried at cost	32,827	41,267
Acquisition of bond investments with no active market	-	(153,311)
Redemption of bond investments with no active market	29,649	29,380

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Proceeds of the disposal of bond investment with no active market	\$ 77,814	\$ -
Return of capital on investments accounted for by the equity method	16,688	81,272
Acquisition of property, plant and equipment	(361,794)	(369,984)
Proceeds of the disposal of property, plant and equipment	57,641	23,978
Acquisition of assets leased to others	(2,383)	(1,609)
Decrease in refundable deposits	376	5,367
Increase in deferred charges	<u>(104,527)</u>	<u>(109,058)</u>
Net cash provided by (used in) investing activities	<u>463,660</u>	<u>(181,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(262,241)	120,806
Proceeds of long-term bank loans	-	630,000
Repayments of long-term bank loans	(107,987)	(215,973)
Decrease in guarantee deposits received	(37)	(5,634)
Cash dividends paid	(481,250)	(687,500)
Capital reduction	(481,250)	(687,500)
Increase in minority interest	<u>-</u>	<u>3,860</u>
Net cash used in financing activities	<u>(1,332,765)</u>	<u>(841,941)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(81,507)</u>	<u>126,092</u>
EFFECT OF DISPOSAL OF A SUBSIDIARY	<u>(1,109)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	727,411	(664,991)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>809,727</u>	<u>1,474,718</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,537,138</u>	<u>\$ 809,727</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 13,716</u>	<u>\$ 17,945</u>
Income tax paid	<u>\$ 162,465</u>	<u>\$ 189,797</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Available-for-sale financial assets - noncurrent reclassified to available-for-sale financial assets - current	<u>\$ -</u>	<u>\$ 648,032</u>
Assets leased to others reclassified to property, plant and equipment	<u>\$ 7,363</u>	<u>\$ 9,498</u>
Property, plant and equipment reclassified to assets leased to others	<u>\$ 4,949</u>	<u>\$ 721</u>
Idle assets reclassified to property, plant and equipment	<u>\$ 47</u>	<u>\$ 25,776</u>
Property, plant and equipment reclassified to deferred charges	<u>\$ 3,687</u>	<u>\$ 473</u>
Current portion of long-term bank loans	<u>\$ 330,000</u>	<u>\$ 107,987</u>

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant and equipment	\$ 359,589	\$ 371,080
Decrease (increase) in payables for equipment purchased	<u>2,205</u>	<u>(1,096)</u>
Cash paid for the acquisition of property, plant and equipment	<u>\$ 361,794</u>	<u>\$ 369,984</u>
Capital reduction and liquidation of financial assets carried at cost	\$ 958	\$ 4,903
Decrease (increase) in capital reduction receivable	<u>1,048</u>	<u>(1,048)</u>
Cash received from capital reduction and liquidation of financial assets carried at cost	<u>\$ 2,006</u>	<u>\$ 3,855</u>

Book value of assets and liabilities of Smar Tech Jeans Process Co., Ltd., a subsidiary disposed of in September 2012, are summarized as follows:

Cash	\$ 1,112
Accounts and notes receivable	1,265
Inventories	545
Other current assets	273
Net property, plant and equipment	2,566
Deferred charges	1,031
Accounts and notes payable	(90)
Payable to related parties	(5,086)
Accrued expenses	(333)
Other payables	(22)
Other current liabilities	<u>(1,255)</u>
	6
Percentage of equity interest	<u>55%</u>
	3
Proceeds of the disposal	<u>3</u>
Gain on the disposal	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Nien Hsing Textile Co., Ltd. (the “Company”) was established in 1986. It is listed on the Taiwan Stock Exchange. The Company spins cotton into yarns and weaves, dyes, and sells fabrics and cloths.

The Company and Chih Hsing Textile Co., Ltd. merged effective July 1, 2000, with the Company as the survivor entity.

To integrate internal resources, lower operating costs and enhance the Company and subsidiaries’ (also referred to as the “Group”) competitiveness, the Company modified on January 1, 2005 its business model by controlling the management of the sewing and dyeing departments of Chao Hsing Textile Co., Ltd. and Nien Hsing International (Bermuda) Ltd.

To respond to the need for upgraded operations, the Company adjusted the investment structure of overseas holding companies in November 2009 and modified on January 1, 2010 the related business model by controlling the management of the spinning and weaving departments of Nien Hsing International (Bermuda) Ltd. based in Lesotho.

To integrate internal resources, lower operating costs, and enhance operating efficiency, the Company modified its business model by controlling the management of the sewing departments of Chu Hsing Garment Co., Ltd. on July 1, 2010.

To improve the washing technique and increase the added value of jeans, the Company established C Square Investment Co., Ltd., C Square Garment Co., Ltd., and Foster Capital Management Inc. through Nien Hsing International (B.V.I.) Ltd. in 2010.

The Company’s other subsidiaries were as follows:

- a. Chao Hsing Textile Co., Ltd. (CHTCL) - established in 1998. It mainly buys materials for fabric and clothes production. On December 31, 2010, its board of directors decided to close and liquidate CHTCL. It completed the liquidation procedure in March 2012.
- b. Nien Hsing International (B.V.I.) Ltd. - established in 1996 in the British Virgin Islands. It is a holding company.
- c. Nien Hsing International Investment Co., Ltd. - established in 2002 as an investment company.
- d. Chu Hsing Garment Co., Ltd. - established in 1971, it manufactures and sells fabrics and clothes. On July 1, 2010 it transferred the management of the sewing departments to the Company. On December 31, 2012, its board of directors had decided to close and liquidate Chu Hsing Garment Co., Ltd. The liquidation procedure was still under way.
- e. Chu Hsing Garment (Cambodia) Co., Ltd. - established in 1996 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd. It has also sewn jeans for the Company since July 1, 2010.

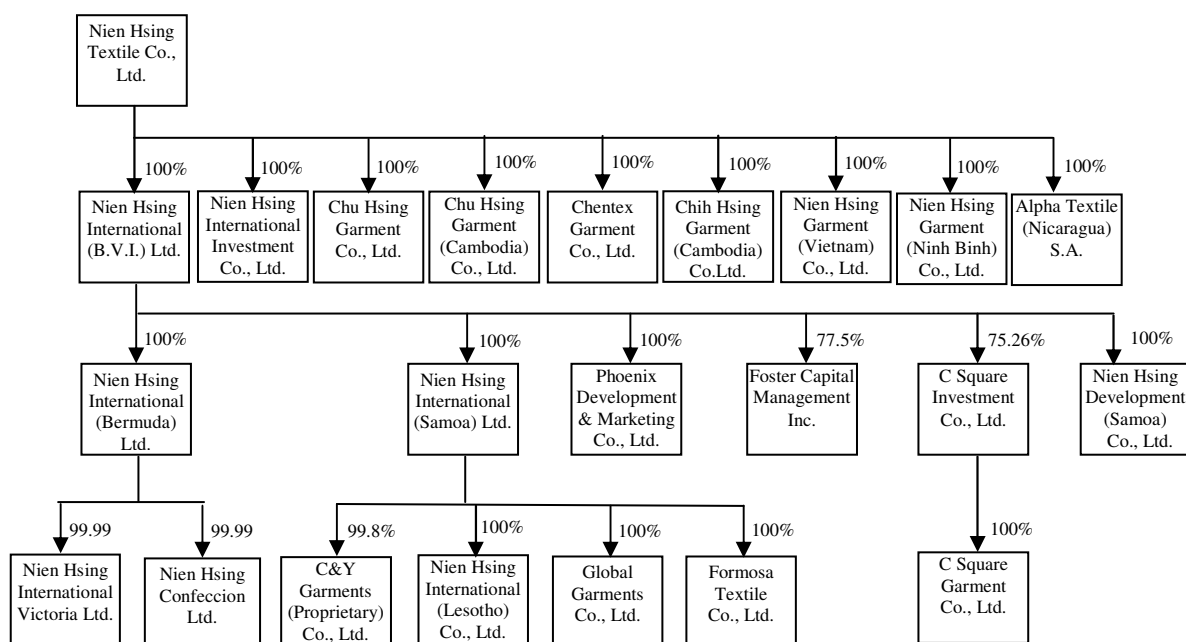
- f. Chentex Garment Co., Ltd. (“Chentex”) - established in 2005 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd. It has also sewn jeans for the Company since July 1, 2010. The Company established Chih Hsing Garment (Cambodia) Co., Ltd. (“Chih Hsing”) in Cambodia in August 2011 to take over the operation of Chentex and then closed the operations of Chentex in December 2011. The factory of Chih Hsing was still under construction.
- g. Nien Hsing Garment (Vietnam) Co., Ltd. - established in March 2007 in Vietnam. It sews jeans for the Company.
- h. Nien Hsing Garment (Ninh Binh) Co., Ltd. - established in April 2008 in Vietnam. It sews jeans for the Company.
- i. Alpha Textile (Nicaragua) S.A. - established in 2010 in Nicaragua. It dyes work clothes for the Company.
- j. Smar Tech Jeans Process Co., Ltd. - established in January 2011. It washes jeans for the Company. The Company sold all its equity interests to third parties in September 2012.
- k. Nien Hsing International (Bermuda) Ltd. (“Nien Hsing Bermuda”) - established in 1997 in Bermuda. It manufactures and sells jeans. To respond to the Group’s restructuring, Nien Hsing Bermuda sold some of its long-term investments and property, plant and equipment to Nien Hsing International (Samoa) Ltd. and some long-term investments to Phoenix Development & Marketing Co., Ltd. in November 2009. When Nien Hsing Bermuda became a holding company on January 1, 2010, it transferred the management of the spinning and weaving departments in Lesotho to the Company and that in Mexico to Phoenix Development & Marketing Co., Ltd.
- l. Nien Hsing International (Samoa) Ltd. - established in November 2009. It is a holding company.
- m. Phoenix Development & Marketing Co., Ltd. - established in November 2009 in Samoa. It is a holding company, which started to sell jeans on January 1, 2010.
- n. Foster Capital Management Inc. - established in April 2010 in Samoa. It acquired land for constructing a washing plant in Cambodia and then rented out the land and plant to C Square Investment Co., Ltd. for the latter’s jeans washing operation.
- o. C Square Investment Co., Ltd. - established in June 2010 in Samoa. It washes jeans for the Company.
- p. Nien Hsing Development (Samoa) Co., Ltd. - established in September 2012 in Samoa. It is a holding company.
- q. Nien Hsing International Victoria Ltd. - established in 1997 in Mexico. Its operations included manufacturing denims for Nien Hsing International (Bermuda) Ltd. It switched to the manufacturing of denims for Phoenix Development & Marketing Co., Ltd. on January 1, 2010.
- r. Nien Hsing Confeccion Ltd. - established in 1999 in Mexico. It sews jeans for the Company.
- s. C&Y Garments (Proprietary) Co., Ltd. - established in 1990 in Lesotho. It sews jeans for the Company.
- t. Nien Hsing International (Lesotho) Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- u. Global Garments Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.

v. Formosa Textile Co., Ltd. - established in 2000 in Lesotho. It manufactured denims for Nien Hsing International (Bermuda) Ltd. and switched to the manufacturing of denims for the Company on January 1, 2010.

x. C Square Garment Co., Ltd. - established in September 2010 in Cambodia. It washes jeans for the C Square Investment Co., Ltd.

The Company and its subsidiaries had 22,527 and 22,109 employees as of December 31, 2012 and 2011, respectively.

The diagram below shows the Company's parent-subsiary structure and holding percentages as of December 31, 2012.



2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC).

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Consolidation

The accompanying consolidated financial statements include the accounts of all the direct and indirect subsidiaries of the Company. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities for 2012 and 2011 include the Company, Smar Tech Jeans Process Co., Ltd. (it was established in January 2011 and totally disposed of in September 2012), Chao Hsing Textile Co., Ltd. (it completed its liquidation in March 2012), Nien Hsing International (B.V.I.) Ltd., Nien Hsing International Investment Co., Ltd., Chu Hsing Garment Co., Ltd., Chu Hsing Garment (Cambodia) Co., Ltd., Chentex Garment Co., Ltd. (it closed in December 2011), Chih Hsing Garment (Cambodia) Co., Ltd. (it was established in August 2011), Nien Hsing Garment (Vietnam) Co., Ltd., Nien Hsing Garment (Ninh Binh) Co., Ltd., Alpha Textile (Nicaragua) S.A., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Foster Capital Management Inc., C Square Investment Co., Ltd., Nien Hsing Development (Samoa) Co., Ltd. (it was established in September 2012), Nien Hsing International Victoria Ltd., Nien Hsing Confeccion Ltd., C&Y Garments (Proprietary) Co., Ltd., Nien Hsing International (Lesotho) Co., Ltd., Global Garments Co., Ltd., Formosa Textile Co., Ltd., C Square Garment Co., Ltd. (it was established in September 2010).

The accounts and financial statements of consolidated foreign subsidiaries are prepared in their respective functional currencies. For consolidation purposes, these financial statements are translated into New Taiwan dollars at the following foreign exchange rates: (a) assets and liabilities - prevailing exchange rates on the balance sheet dates, (b) stockholders' equity - historical rates, and (c) profit and loss accounts - weighted-average rates of the year. Translation differences are recognized as cumulative foreign-currency translation adjustments in the stockholders' equity section of the balance sheet.

Foreign Currencies

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates, and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity.
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. These adjustments are accumulated and reported as a separate component of stockholders' equity.

Accounting Estimates

Under the above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts; allowance for loss on inventories; depreciation of property, plant and equipment; income tax; pension cost; bonuses to employees, directors and supervisors; etc. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of commercial paper and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Available-for-sale Financial Assets

The Group recognizes a financial asset on its balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. A financial asset is derecognized when the Group has lost control of its contractual rights over the financial asset.

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing price.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for the recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss on an equity instrument classified as available-for-sale is recognized directly in equity.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same as that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method and are not subject to any restriction on the timing of disposal. Bond investments with no active market are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event that occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

Investments Accounted for by the Equity Method

Investments in which the Group holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Under the equity method, the acquisition cost is analyzed, and the acquisition cost in excess of the Group's share of the fair value of the identifiable net assets acquired is recognized as goodwill. This goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired. The Group's share of the fair value of the net identifiable assets acquired in excess of the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, deferred income tax assets or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Group subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Group records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Group's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Group discontinues applying the equity method. The Group continues to recognize its share in the investee's losses at the percentage of its equity in the investee if the Group commits to provide further financial support to the investee or the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When an indication of impairment is identified in an investment, the carrying amount of the investment is reduced, with the related impairment loss charged to current income. For long term equity investments on which the Group has significant influence but over which it has no controlling interests, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for impairment testing.

Property, Plant and Equipment and Assets Leased to Others

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation.

Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. If an impairment loss reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: land improvements - 3 to 4 years; buildings - 3 to 60 years; machinery and equipment - 3 to 11; transportation equipment - 2 to 10; miscellaneous equipment - 2 to 10; and other equipment - 3 to 20. Property, plant and equipment and assets leased to others that have reached their full residual values but are still being used by the Group are depreciated over their newly estimated service lives.

The related cost and accumulated depreciation of an item of property, plant and equipment and assets leased to others are derecognized from the balance sheet upon their disposal. Any gain or loss on disposal of an asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

Intangible assets include technical know-how, which has a definite useful life. It is amortized over its estimated useful life on a straight line basis.

An impairment loss is recognized when there is objective evidence that the intangible assets are impaired. The impairment loss is reversed if an increase in the intangible assets' recoverable amount is due to an event that occurred after the impairment loss was recognized; however, the adjusted carrying amount of the intangible assets may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the intangible assets in prior years.

Idle Assets

Idle assets are stated at the lower of recoverable amount or book value.

Deferred Charges

Deferred charges refer to the components of spinning and weaving machinery, which are initially recorded at acquisition cost and amortized on a straight-line basis over two to three years.

Pension Costs

Pension cost under a defined benefit plan of the Company is determined by actuarial valuations. Contributions made under a defined contribution plan of the Company and Smar Tech Jeans Process Co., Ltd. are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net pension cost for the year.

The other subsidiaries have no pension plans.

Income Tax

The Group applies the inter-year allocation method to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of earnings.

Revenue Recognition

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Group are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no significant effect in the consolidated net income for 2011.

Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of the information on the components of the Group that management uses to make operating decisions. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Group restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand	\$ 13,850	\$ 14,916
Bank deposits		
Checking accounts and demand deposits	148,115	22,742
Foreign-currency checking accounts and demand deposits	1,001,746	387,142
Foreign-currency time deposits - 2012: 4.400%-4.500% interest rate; 2011: 4.100%-6.000% interest rate	63,801	30,666
Cash equivalents		
Short-term notes and bills with repurchase agreements, 2012: 0.800% yield rate; 2011: 0.725%-0.800% yield rate	<u>309,626</u>	<u>354,261</u>
	<u>\$ 1,537,138</u>	<u>\$ 809,727</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
Domestic listed and OTC stocks	\$ 50,460	\$ 648,032
Overseas listed and OTC stocks	<u>172</u>	<u>2,125</u>
	<u>\$ 50,632</u>	<u>\$ 650,157</u>

The Company reclassified available-for-sale financial assets - noncurrent to available-for-sale financial asset - current as of December 31, 2011.

The Company and subsidiaries sold available-for-sale financial assets - current for \$739,070 thousand in 2012 and \$277,566 thousand in 2011, thus recognizing gains on disposal of investments of \$715,956 in 2012 and \$226,222 in 2011.

6. INVENTORIES, NET

	2012	2011
Raw materials	\$ 1,329,563	\$ 2,089,295
Work in process	1,235,162	1,153,732
Finished goods	426,707	374,685
Raw materials in transit	47,510	195,425
Supplies	<u>18,758</u>	<u>11,220</u>
	<u>\$ 3,057,700</u>	<u>\$ 3,824,357</u>

As of December 31, 2012 and 2011, the allowances for inventory devaluation were \$206,494 thousand and \$306,902 thousand, respectively.

The cost of inventories recognized as cost of goods sold in 2012 was \$12,271,769 thousand, which included the reversal of inventory write-down of \$100,408 thousand; the reversal of loss on purchase commitments of \$92,352 thousand; gain on physical inventories of \$11,507 thousand; and scrap sales of \$188,032 thousand. The cost of inventories recognized as cost of goods sold in 2011 was \$11,801,094 thousand, which included the inventory write-down of \$213,033 thousand; gain on physical inventories of \$5,464 thousand; and scrap sales of \$146,192 thousand.

7. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2012	2011
Domestic emerging market common stocks	\$ 157,483	\$ 162,092
Domestic unquoted common stocks	172,360	154,684
Private-placement domestic stocks	35,997	35,997
Overseas unquoted common stocks	111,333	131,402
Other funds	<u>532,337</u>	<u>553,094</u>
	<u>\$ 1,009,510</u>	<u>\$ 1,037,269</u>

The above investments, which had no quoted prices in an active market and had fair values that could not be reliably measured, were carried at cost.

Princedom Precision Corporation decreased its capital to offset a deficit at a ratio of 369 shares for every 1,000 shares and thus made capital returns of \$80 thousand to Nien Hsing International Investment Co., Ltd., recognized an investment loss of \$1,170 thousand.

Inno Stream Consulting Investment Inc. decreased its capital at a ratio of 100 shares for every 1,000 shares in 2012 and 2011, and thus made capital returns to the Company of \$878 thousand and \$975 thousand, respectively.

The recoverable amount of the investment in TopRay Technologies, Inc. was estimated to be less than its carrying amount. Thus, the Group recognized an impairment loss of \$4,609 thousand in 2012.

Der Yang Biotechnology Venture Capital Co., Ltd. decreased its capital at a ratio of 200 shares for every 1,000 shares and thus made capital returns to the Company of \$1,048 thousand in 2011.

Chiabon Venture Capital Co., Ltd. was dissolved and made capital returns of \$2,880 thousand to the Company in 2011.

The recoverable amount of the investment in GEM Service Inc. was estimated to be less than its carrying amount. Thus, the Group recognized an impairment loss of \$21,027 thousand in 2011.

8. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
RABOBANK NEDERLAND	\$ 352,514	\$ 449,859
TWIN DRAGON MARKETING, INC.	<u>58,100</u>	<u>90,780</u>
	<u>\$ 410,614</u>	<u>\$ 540,639</u>

In March 2009, under the approval of its board of directors, Nien Hsing International (Bermuda) Ltd. (a Company subsidiary) bought 5,000 preferred shares issued by TWIN DRAGON MARKETING, INC. ("TWIN DRAGON"). The preferred stockholders are entitled to quarterly dividends at US\$2.50 per share and have full voting rights, with 10 preferred shares having the equivalent voting right of one common share. The preferred shares are not convertible into common shares. In November 2009, Nien Hsing International (Bermuda) Ltd. sold all its preferred stockholding to Phoenix Development & Marketing Co., Ltd. ("Phoenix," also a Company subsidiary) at carrying amount. TWIN DRAGON redeemed 1,000 shares of its preferred stock from Phoenix at par value in 2012 and 2011. TWIN DRAGON had redeemed 3,000 shares at par value as of December 31, 2012.

Nien Hsing International (B.V.I.) Ltd. (another Company subsidiary) has invested in subordinated capital securities since November 2009. In 2011, Nien Hsing International (B.V.I.) Ltd. bought these securities at par value for US\$4,000 thousand. In September 2012, Nien Hsing International (B.V.I.) Ltd. sold the securities of par value US\$2,000 thousand and recognized US\$170 thousand as gain on disposal. The par value of the cumulative investment was US\$10,000 thousand as of December 31, 2012. These securities, which were issued by RABOBANK NEDERLAND (the "Issuer") in June 2009 at a total amount of US\$1,500,000 thousand, have no maturity date and bear annual interest at a coupon rate of 11%, payable semiannually until June 2019. From June 30, 2019, the subordinated capital securities will bear interest at a coupon rate of three-month U.S. dollars LIBOR plus 10.8675% and will be redeemable (at the option of the Issuer) on June 30, 2019, or on each interest payment date thereafter, at an amount equal to the par value.

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
C&D Capital II Corp.	\$ 130,721	28.74	\$ 136,070	28.74
C&D Capital Corp.	95,260	22.42	111,588	22.42
Grand Paper International (B.V.I.) Ltd.	60,046	37.00	61,177	37.00
China International Investment Co., Ltd.	39,865	22.42	50,431	22.42
Wu Hsing International Co., Ltd.	-	30.00	-	30.00
Top Fashion Industrial Co., Ltd.	<u>-</u>	30.00	<u>-</u>	30.00
	<u>\$ 325,892</u>		<u>\$ 359,266</u>	

Investment income (loss) recognized under the equity method was as follows:

	2012	2011
C&D Capital II Corp.	\$ 93	\$ (60)
C&D Capital Corp.	608	24,955
Grand Paper International (B.V.I.) Ltd.	14,803	14,452
China International Investment Co., Ltd.	(782)	2,696
Wu Hsing International Co., Ltd.	-	-
Top Fashion Industrial Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 14,722</u>	<u>\$ 42,043</u>

In January 2012 and October 2011, C&D Capital Corp. decreased its capital at a ratio of 85 shares and 313 shares, respectively, for every one thousand shares and thus made capital returns of US\$311 thousand and US\$1,667 thousand, respectively, to Phoenix Development & Marketing Co., Ltd.

In May 2012 and 2011, China International Investment Co., Ltd. decreased its capital at a ratio of 184 shares and 446 shares, respectively, for every one thousand shares and thus made capital returns of \$7,377 thousand and \$32,296 thousand, respectively, to the Company.

10. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Accumulated depreciation		
Land improvements	\$ 1,516	\$ 1,516
Buildings	1,304,094	1,187,114
Machinery and equipment	4,412,180	4,169,294
Transportation equipment	49,300	49,678
Office equipment	54,003	27,439
Miscellaneous equipment	<u>1,209,449</u>	<u>1,204,889</u>
	<u>\$ 7,030,542</u>	<u>\$ 6,639,930</u>

Depreciation expenses were \$681,911 thousand in 2012 and \$690,660 thousand in 2011.

The net carrying values of property, plant and equipment pledged or mortgaged as collaterals for bank loans as of December 31, 2012 and 2011 were \$275,239 thousand and \$283,821 thousand, respectively. The Company had reclassified the land and buildings in Toufen to idle assets as of December 31, 2011. Depreciation expense (recognized under nonoperating expenses and losses - miscellaneous expenses) for idle assets in the first quarter of 2012 was \$52 thousand. On March 8, 2012, the Company signed a real estate contract with a third party to sell the idle assets in Toufen for \$64,000 thousand. However, after an on-site assessment by the Toufen Land Office in Miaoli, the actual selling price was adjusted to \$63,735 thousand (the after-tax price was \$50,262 thousand). After completing the registration of the transfer of ownership of the idle assets, the Company recognized a gain of \$24,585 thousand on this disposal in June 2012.

11. ASSETS LEASED TO OTHERS, NET

	2012	2011
Cost		
Land	\$ 49,874	\$ 50,101
Buildings	182,472	190,235
Machinery and equipment	15,687	16,671
Office equipment	457	476
Miscellaneous equipment	<u>3,782</u>	<u>4,094</u>
	<u>252,272</u>	<u>261,577</u>
Less: Accumulated depreciation		
Buildings	40,476	26,557
Machinery and equipment	5,789	3,771
Office equipment	394	251
Miscellaneous equipment	<u>1,682</u>	<u>1,292</u>
	<u>48,341</u>	<u>31,871</u>
Assets leased to others, net	<u>\$ 203,931</u>	<u>\$ 229,706</u>

Depreciation expenses (recognized under nonoperating expenses and losses - miscellaneous expenses) were \$18,922 thousand in 2012 and \$18,474 thousand in 2011.

12. OTHER ASSETS - AGRICULTURAL LAND FOR TRANSFER

To strengthen the investment management in Hou Long Zhen and to have sites for plant construction and other purposes, the Company bought three agricultural lots in Hou Long Zhen in Miaoli County for \$21,845 thousand under the name of Mr. Chen, Rong Ciou in the fourth quarter of 2007. These assets were recorded as other assets - agricultural land for transfer. These assets were transferred to Mr. Chen's wife, Mrs. Chen, Hong Yun, in the second quarter of 2008. The Company signed trust deeds, first with Mr. Chen, Rong Ciou and then with Mrs. Chen, Hong Yun, under which both of them agreed to follow the Company's written instructions on the use of these assets and to recognize any benefit generated from these assets as belonging to the Company.

13. SHORT-TERM LOANS

	2012	2011
Credit loan from banks, interest rate at 0.8589%-1.3500% in 2012 and 0.9201%-1.3800% in 2011	\$ 405,500	\$ 577,730
Usance letters of credit, interest rate at 0.8600%-1.0100% in 2012 and 1.0164%-2.0646% in 2011	<u>34,350</u>	<u>124,361</u>
	<u>\$ 439,850</u>	<u>\$ 702,091</u>

14. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>December 31, 2012</u>			
Loan issuance facilities	<u>\$ 330,000</u>	<u>\$ 300,000</u>	<u>\$ 630,000</u>
<u>December 31, 2011</u>			
Loan issuance facilities	\$ -	\$ 630,000	\$ 630,000
Loan: Repayment period - February 2009 to February 2012; annual interest rate - 1.65%; repayment amount - one third of principal in the third year and every six months thereafter.	51,987	-	51,987
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.69%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	30,000	-	30,000
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.69%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	<u>26,000</u>	<u>-</u>	<u>26,000</u>
	<u>\$ 107,987</u>	<u>\$ 630,000</u>	<u>\$ 737,987</u>

On September 13, 2010, a three-year syndicated revolving credit line agreement of \$900,000 thousand was signed by the Company with E.SUN Bank and three other financial institutions. The drawdown on the credit line is at \$300,000 thousand semiannually starting from March 2013 and maturity is in March 2014.

As of December 31, 2012, the Company had drawn down \$630,000 thousand on a credit line of \$900,000 thousand on the syndicated loan. Interest rates were 1.316% and 1.261% as of December 31, 2012 and 2011, respectively.

Under the syndicated loan agreements, the Company should maintain net equity, current and interest coverage ratios at percentages specified in the agreements.

15. PENSION PLANS

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the monthly contributions of the Company and Smar Tech Jeans Process Co., Ltd. to their employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were \$19,967 thousand in 2012 and \$19,209 thousand in 2011.

Based on the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Company contributed amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension funds are deposited in the Bank of Taiwan in the committees' name. Related pension costs were \$22,256 thousand in 2012 and \$27,346 thousand in 2011.

Chao Hsing Textile Co., Ltd., Chu Hsing Garment Co., Ltd. and Nien Hsing International Investment Co., Ltd. have no full-time employees, and the other subsidiaries have no pension plans.

Other information on the defined benefit plan is as follows:

a. Components of net pension cost:

	<u>2012</u>	<u>2011</u>
	<u>The Company</u>	<u>The Company</u>
Service cost	\$ 9,622	\$ 11,855
Interest cost	8,491	10,312
Projected return on plan assets	(1,814)	(2,121)
Amortization	5,848	7,300
Curtailment or settlement losses	<u>109</u>	<u>-</u>
Net periodic pension cost	<u>\$ 22,256</u>	<u>\$ 27,346</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
	<u>The Company</u>	<u>The Company</u>
Benefit obligation		
Vested benefit obligation	\$ 89,359	\$ 75,915
Non-vested benefit obligation	<u>272,403</u>	<u>260,391</u>
Accumulated benefit obligation	361,762	336,306
Additional benefits based on future salaries	<u>99,044</u>	<u>92,504</u>
Projected benefit obligation	460,806	428,810
Fair value of plan assets	<u>(77,146)</u>	<u>(90,833)</u>
Funded status	383,660	337,977
Unrecognized prior service cost	(8,388)	(9,617)
Unrecognized net transition obligation	(15,713)	(19,872)
Unrecognized pension loss	(101,145)	(54,753)
Additional liability	<u>26,202</u>	<u>-</u>
Accrued pension cost	<u>\$ 284,616</u>	<u>\$ 253,735</u>
Vested benefit	<u>\$ 99,221</u>	<u>\$ 84,928</u>

c. Actuarial assumptions as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	<u>The Company</u>	<u>The Company</u>
Discount rate used in determining present values	1.75%	2.00%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	1.75%	2.00%

	<u>2012</u>	<u>2011</u>
	<u>The Company</u>	<u>The Company</u>
d. Contributions to the fund	<u>\$ 12,906</u>	<u>\$ 12,124</u>
e. Payments from the fund	<u>\$ 27,414</u>	<u>\$ 27,977</u>

16. STOCKHOLDERS' EQUITY

Under the Company Law, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations can be used to offset a deficit. Capital surplus may also be distributed in cash or capitalized if the Company has no deficit. However, the capitalized amount is limited to a certain percentage of the Company's paid-in capital. The capital surplus from long-term investments may not be used for any purpose.

The Company's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve appropriated in accordance with relevant laws or regulations or as requested by the authorities in charge, and prior years' unappropriated earnings may be appropriated as determined in the stockholders' meeting. The remuneration to directors and supervisors, which is based on the textile industry benchmark, should be paid whether or not the Company has a profit. The bonus to employees should be of at least 1% of total appropriations.

The Company can appropriate all the distributable earnings, taking into account financial, business and operating factors. Appropriations may be in the form of cash dividends and/or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total distribution. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior year's, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

In 2012, the bonus to employees was \$6,000 thousand and the remuneration to directors and supervisors was \$6,554 thousand. In 2011, the bonus to employees was \$5,000 thousand and the remuneration to directors and supervisors was \$9,100 thousand. These estimates were based on past experience, with operating factors taken into account. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including cumulative translation adjustments and unrealized loss on financial instruments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve should be appropriated until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System in the ROC, which took effect on January 1, 1998, noncorporate resident stockholders are allowed a tax credit for the income tax paid or payable by the Company, Chu Hsing Garment Co., Ltd. and Nien Hsing International Investment Co., Ltd. on earnings generated in 1998 and on. Nonresident stockholders are allowed only a tax credit from the 10% income tax on undistributed earnings, which can be used to deduct the withholding income tax from dividends paid.

The appropriations from the 2011 and 2010 earnings were approved in the stockholders' meetings on June 15, 2012 and June 15, 2011, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividend (Dollar)	
	2011	2010	2011	2010
Legal reserve	\$ 75,596	\$ 144,268		
Cash dividend	481,250	687,500	\$1.00	\$1.25

The above appropriations approved at the stockholders' meetings were the same as those approved by the board of directors on March 20, 2012 and March 24, 2011, respectively.

The bonus to employees of \$5,000 thousand and the remuneration to directors and supervisors of \$9,100 thousand for 2011 were approved in the stockholders' meeting on June 15, 2012. The bonus to employees of \$8,500 thousand and the remuneration to directors and supervisors of \$9,100 thousand for 2010 were approved in the stockholders' meeting on June 15, 2011. The approved amounts of bonus to employees and remuneration to directors and supervisors were the same as the accrual amounts reflected in the financial statements for 2012 and 2011.

The stockholders' meeting also approved the reduction of cash capital and the reduction amount of \$687,500 thousand on June 15, 2011. After the reduction of cash capital, the balance of capital stock was \$4,812,500 thousand. This capital reduction was approved by the relevant authorities. The board of directors approved August 14, 2011 as the date of the capital reduction.

In their meeting on June 15, 2012, the stockholders also approved the reduction of cash capital by \$481,250 thousand. After the reduction of cash capital, the balance of capital stock was \$4,331,250 thousand. This capital reduction was approved by the relevant authorities. The board of directors approved August 14, 2012 as the date of the capital reduction.

The appropriations from the 2012 earnings were approved in the meeting of board of directors on March 19, 2013. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 75,957	
Special reserve	661,811	
Cash dividends	563,062	\$1.30

In their meeting on March 19, 2013, the board of directors also approved the reduction of cash capital by \$331,250 thousand. After the reduction of cash capital, the balance of capital stock will be \$4,000,000 thousand.

The appropriation, the bonus to employees, the remuneration to directors and supervisors and the reduction of cash capital, which the board of directors discussed on March 19, 2013 needs to be approved by the stockholders' meeting expected to be held on June 13, 2013.

Information on the appropriation of earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (<http://mops.tse.com.tw>).

17. INCOME TAX

- a. A reconciliation of income tax expense (benefit) based on income before income tax at the statutory rate and income tax expense (benefit) was as follows:

	2012	2011
Income tax expense at statutory income tax rate	\$ 151,844	\$ 203,547
Tax effect of adjusting items		
Permanent differences	(125,711)	(88,600)
Temporary differences	(36,064)	(3,890)
Loss carryforwards	33	159
Loss carryforwards plus domestic tax-exempt dividends	13,308	-
Loss carryforwards used	<u>-</u>	<u>(113)</u>
	3,410	111,103
Additional income tax under the Alternative Minimum Tax Act	61,033	22,289
Additional 10% income tax on unappropriated earnings	<u>19,912</u>	<u>61,091</u>
Current income tax expense	84,355	194,483
Deferred income tax expense		
Temporary differences	36,064	8,987
Loss carryforwards	3,208	479
Valuation allowance	(2,803)	(10,727)
Adjustments for prior years' tax	<u>(2,167)</u>	<u>1,789</u>
Income tax expense	<u>\$ 118,657</u>	<u>\$ 195,011</u>

Income tax returns (ITRs) of the Company and Nien Hsing International Investment Co., Ltd. through 2010 and of Chu Hsing Garment Co., Ltd. through 2011 had been examined by the tax authorities. The Company filed administrative appeals for the reexamination of the overseas dividend revenues shown in the 2009 return, the difference between the Company's declared amount and the amount based on the tax authorities' examination was recognized in the third quarter of 2011.

- b. Deferred income tax assets (liabilities) were as follows:

	2012	2011
Provision for pension cost	\$ 43,151	\$ 42,356
Allowance for loss on inventories	34,876	50,806
Loss carryforwards	8,954	12,162
Allowance for doubtful accounts	6,709	5,956
Unrealized other loss	3,841	21,241
Unrealized foreign exchange loss	1,257	1,283
Unallocated manufacturing over head	185	2,975
Others	1,038	633
Income on overseas investments	<u>(274,943)</u>	<u>(273,072)</u>
	(174,932)	(135,660)
Less: Valuation allowance	<u>(10,552)</u>	<u>(13,355)</u>
Deferred tax assets (liabilities), net	<u>\$ (185,484)</u>	<u>\$ (149,015)</u>
Deferred tax assets - current	\$ 46,868	\$ 82,261
Deferred tax liabilities - noncurrent	<u>(232,352)</u>	<u>(231,276)</u>
	<u>\$ (185,484)</u>	<u>\$ (149,015)</u>

As of December 31, 2012, the loss carryforwards of Nien Hsing International Investment Co., Ltd. and Chu Hsing Garment Co., Ltd., which can be deducted from future taxable payable, were as follows:

	Deductible Amount		Expiry Year
	Nien Hsing International	Chu Hsing Garment Co., Ltd.	
2009	\$ 7,206	\$ -	2019
2010	1,715	-	2020
2012	<u>-</u>	<u>33</u>	2022
	<u>\$ 8,921</u>	<u>\$ 33</u>	

c. Information on the integrated income tax is as follows:

	December 31	
	2012	2011
Balances of the imputation credit account (ICA) of the Company	<u>\$ 538,153</u>	<u>\$ 468,681</u>

The creditable ratios for the distribution of the earnings of 2012 and 2011 were 15.50% (estimate) and 16.34% (actual), respectively.

For the distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocable to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

d. Unappropriated earnings were as follows:

The unappropriated earnings in 2012 and 2011 included earnings of \$363,345 thousand and \$365,055 thousand generated before 1998.

Under the tax laws of the territories where they are based, Nien Hsing International (B.V.I.) Co., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Foster Capital Management Inc., C Square Investment Co., Ltd., and Nien Hsing Development (Samoa) Co., Ltd., are exempt from income taxes.

Under Mexico's laws, the income tax payable of Nien Hsing International Victoria Ltd. and Nien Hsing Confection Ltd. is the taxable income multiplied by a certain tax rate. The taxable income is based on assets net of certain liabilities.

Under Nicaragua's laws, Alpha Textile (Nicaragua) S.A. is exempt from income taxes for 10 years from 2011.

C&Y Garments (Proprietary) Co., Ltd., Nien Hsing International (Lesotho) Co., Ltd., Global Garments Co., Ltd., Formosa Textile Co., Ltd., Chu Hsing Garment (Cambodia) Co., Ltd., Chentex Garment Co., Ltd., Chih Hsing Garment (Cambodia) Co., Ltd., Nien Hsing Garment (Vietnam) Co., Ltd., Nien Hsing Garment (Ninh Binh) Co., Ltd. and C Square Garment Co., Ltd. authorized local agents to declare tax expense, as required under local requirements.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2012			
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	Total
Personnel expense				
Salary	\$ 2,121,232	\$ 298,811	\$ -	\$ 2,420,043
Labor and health insurance	30,516	22,742	-	53,258
Pension cost	21,521	20,702	-	42,223
Other	<u>101,662</u>	<u>15,373</u>	<u>-</u>	<u>117,035</u>
	<u>\$ 2,274,931</u>	<u>\$ 357,628</u>	<u>\$ -</u>	<u>\$ 2,632,559</u>
Depreciation	<u>\$ 668,311</u>	<u>\$ 13,600</u>	<u>\$ 18,974</u>	<u>\$ 700,885</u>
Amortization	<u>\$ 96,325</u>	<u>\$ 3,789</u>	<u>\$ 40</u>	<u>\$ 100,154</u>
	2011			
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	Total
Personnel expense				
Salary	\$ 1,859,172	\$ 271,884	\$ -	\$ 2,131,056
Labor and health insurance	30,146	20,073	-	50,219
Pension cost	25,784	20,771	-	46,555
Other	<u>92,236</u>	<u>14,155</u>	<u>-</u>	<u>106,391</u>
	<u>\$ 2,007,338</u>	<u>\$ 326,883</u>	<u>\$ -</u>	<u>\$ 2,334,221</u>
Depreciation	<u>\$ 675,322</u>	<u>\$ 15,338</u>	<u>\$ 18,474</u>	<u>\$ 709,134</u>
Amortization	<u>\$ 96,182</u>	<u>\$ 3,350</u>	<u>\$ 19</u>	<u>\$ 99,551</u>

19. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Net Income (Numerator)		Shares (Denominator) (Thousands)	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>2012</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 875,779	\$ 759,569	463,203	<u>\$ 1.89</u>	<u>\$ 1.64</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>467</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 875,779</u>	<u>\$ 759,569</u>	<u>463,670</u>	<u>\$ 1.89</u>	<u>\$ 1.64</u>

(Continued)

	<u>Net Income (Numerator)</u>			<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Shares (Denominator) (Thousands)</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2011</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 931,491	\$ 755,959	524,219	<u>\$ 1.78</u>	<u>\$ 1.44</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>445</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 931,491</u>	<u>\$ 795,959</u>	<u>524,664</u>	<u>\$ 1.78</u>	<u>\$ 1.44</u>

(Concluded)

If the Company decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. FINANCIAL INSTRUMENTS

a. The fair values and carrying values of nonderivative financial instruments were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
<u>Financial assets</u>				
Cash and cash equivalents	\$ 1,537,138	\$ 1,537,138	\$ 809,727	\$ 809,727
Available-for-sale financial assets				
- current	50,632	50,632	650,157	650,157
Notes receivable	7,493	7,493	16,895	16,895
Accounts receivable, net	1,887,724	1,887,724	2,065,482	2,065,482
Other financial assets-current	47,820	47,820	30,539	30,539
Financial assets carried at cost - noncurrent	1,009,510	-	1,037,270	-
Bond investments with no active market - noncurrent	410,614	410,614	540,639	540,639
Refundable deposits	19,629	19,629	20,005	20,005

(Continued)

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Short-term loans	\$ 439,850	\$ 439,850	\$ 702,091	\$ 702,091
Notes payable	120,172	120,172	87,710	87,710
Accounts payable	515,129	515,129	379,267	379,267
Account payable to related parties	27,642	27,642	11,695	11,695
Accrued expenses	477,549	477,549	554,860	554,860
Other payable	63,353	63,353	55,435	55,435
Long-term bank loans (including current portion)	630,000	630,000	737,987	737,987
Guarantee deposits received	1,999	1,999	2,036	2,036

b. Methods and assumptions used to estimate the fair values of financial instruments are as follows:

- 1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, other financial assets - current, short-term loans, payables, accounts payable to related parties, accrued expenses, and other payables.
- 2) Available-for-sale financial assets are based on their quoted prices in an active market. For those financial assets with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Thus, fair values cannot be reliably measured.
- 4) The fair value of bond investments with no active market is estimated using the present value of future cash flows discounted at the yield rates of similar financial instruments. The Company and its subsidiaries consider the repayments already made and the related credit risk if the issuers cannot make the repayments.
- 5) The fair value of long-term bank loans is estimated using the present value of future cash flows discounted at the interest rates the Company and its subsidiaries may obtain for similar loans.
- 6) The carrying amounts of refundable deposits and guarantee deposits received reflect their fair values.

c. Fair values of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	Quoted Market Prices		Valuation Techniques	
	December 31		December 31	
	2012	2011	2012	2011
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 50,632	\$ 650,157	\$ -	\$ -

d. Financial liabilities exposed to fair value interest rate risk amounted to \$439,850 thousand and \$702,091 thousand as of December 31, 2012 and 2011, respectively. Financial liabilities exposed to cash flow interest rate risk amounted to \$630,000 thousand and \$737,987 thousand as of December 31, 2012 and 2011, respectively.

e. Financial risks

1) Market risk

The Group invested in domestic quoted stocks and evaluates these investments periodically. Management does not expect the Company's exposure to market risk to be material

2) Credit risk

Credit risk represents the potential impact on financial assets that the Company and its subsidiaries might encounter if counter-parties or third parties breach financial instrument contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. Amounts of credit risk exposure were \$50,632 thousand and \$650,157 thousand as of December 31, 2012 and 2011, respectively. Contracts with positive fair value at the balance sheet date were valued for credit risk.

The maximum credit risk exposure of the financial instruments held by the Company and its subsidiaries is as follows (excluding fair value of the collaterals):

Financial Instruments	2012		2011	
	Carrying Amount	Credit Risk Amount	Carrying Amount	Credit Risk Amount
Available-for-sale financial assets				
Listed and OTC stocks	\$ 50,460	\$ 50,460	\$ 648,032	\$ 648,032
Overseas Listed and OTC stocks	<u>172</u>	<u>172</u>	<u>2,125</u>	<u>2,125</u>
	<u>\$ 50,632</u>	<u>\$ 50,632</u>	<u>\$ 650,157</u>	<u>\$ 650,157</u>

The contracts on the above stocks had positive fair values at the balance sheet date. Thus, the contracts were evaluated, and the evaluation showed there was no credit risk on the stocks.

3) Liquidity risk

The Company and its subsidiaries' operating funds are deemed sufficient to meet the cash flow demand; thus, liquidity risk is not considered significant.

The financial instruments categorized as financial assets carried at cost have no active market; thus, the liquidity risk is expected to be high.

21. RELATED-PARTY TRANSACTIONS

- a. The related parties and their relationship with the Group were as follows:

Related Party	Relationship with the Group
Grand Paper International (B.V.I.) Ltd.	Equity-method investee of Phoenix Development & Marketing Co., Ltd.
Chen, Rong-Ciou	Father of the Company's chairman
Chen, Hong-Yun	Mother of the Company's chairman
Hong Yuan Investment Ltd.	Its chairman is the brother of the Company's chairman
Guo Jhong Investment Ltd.	Its chairman is the same as the Company's chairman
Li Fong Investment Ltd.	Its chairman is the brother of the Company's chairman
Smar Tech Jeans Process Co., Ltd.	Former subsidiary; the Company sold all of its shares in September 2012. Its chairman resigned as general manager of the Company in December 2012.

- b. In addition to those disclosed in Note 13 of the consolidated financial statements, the transactions with the foregoing related parties are summarized as follows:

	2012		2011	
	Amount	%	Amount	%
<u>For the year</u>				
Processing income				
Grand Paper International (B.V.I.) Ltd.	\$ 23,835	93	\$ 20,316	84
Rental revenue				
Hong Yuan Investment Ltd.	\$ 31	-	\$ 26	-
Guo Jhong Investment Ltd.	31	-	26	-
Li Fong Investment Ltd.	31	-	26	-
Smar Tech Jeans Processing Co., Ltd.	8	-	-	-
	<u>\$ 101</u>	<u>-</u>	<u>\$ 78</u>	<u>-</u>
Service revenue (recognized under nonoperating income and gains - miscellaneous income)				
Smar Tech Jeans Processing Co., Ltd.	\$ 1,357	2	\$ -	-

At year-end

Accounts payable				
Grand Paper International (B.V.I.) Ltd.	\$ 27,642	100	\$ 11,695	100

Related party transactions had no significant differences from third-party transactions.

- c. Compensation of directors, supervisors and management personnel:

	2012	2011
Salaries	\$ 24,242	\$ 25,129
Incentives	20,541	22,634
Operating compensation	<u>3,803</u>	<u>4,140</u>
	<u>\$ 48,586</u>	<u>\$ 51,903</u>

The amounts of bonus to employees, which were estimated on the basis of the Company's Articles of Incorporation, may differ from the actual appropriation.

22. ASSETS PLEDGED OR MORTGAGED

The assets pledged or mortgaged as collaterals for long-term bank loans were as follows:

	2012	2011
Property, plant and equipment, net	<u>\$ 275,239</u>	<u>\$ 283,821</u>

23. COMMITMENTS

Unused letters of credit amounted to \$946,222 thousand as of December 31, 2012.

24. SIGNIFICANT LOSSES

A cotton warehouse of a subsidiary located in Mexico had a fire on December 25, 2012, damaging a part of its building, equipment, and inventories. The loss was \$114,755 thousand, consisting of \$107,045 thousand in inventories and \$7,710 thousand in property, plant, and equipment. Nien Hsing International Victoria Ltd. has fire insurance. However, as of March 19, 2013, obtaining the insurance proceeds for the loss was still uncertain. Thus, Phoenix Development & Marketing Co., Ltd. and Nien Hsing International Victoria Ltd. recognized fire losses of \$107,045 thousand and \$7,710 thousand, respectively under nonoperating expenses and losses. Compensation revenue will be recognized in the following years when the insurance claim proceeds can be estimated reasonably.

25. SUBSEQUENT EVENTS

On December 25, 2012, the Board of Directors of Phoenix Development & Marketing Co., Ltd. approved the acquisition of a 2.32% equity interest in of Fortuna Development Corporation from a third party. The total investment amount of US\$20,000 thousand was fully paid on January 31, 2013.

26. OTHERS

Some subsidiaries located in Lesotho sold their duty credit certificates issued by the Southern African Customs Union for \$28,830 thousand in 2012 and \$193,743 thousand in 2011. In addition, the Lesotho Government provided subsidies totaling \$122,774 thousand to those subsidiaries in accordance with their investment amounts and the numbers of employees.

c. Significant financial assets and liabilities in foreign currencies were as follows:

Unit: in thousands of Foreign Currencies/New Taiwan Dollars

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Finance assets</u>						
Monetary items						
USD	\$ 104,732	29.0500	\$ 3,042,474	\$ 103,562	30.2600	\$ 3,133,787
ZAR	90,907	3.5630	323,901	64,560	3.7040	239,129
PESO	19,605	2.2367	43,850	15,870	2.1647	34,354
EUR	6	38.4860	213	208	39.2000	8,149
VND	7,380,083	0.0014	10,600	4,992,225	0.0015	7,254
NIC	416	1.2041	501	519	1.3170	684
KHR	130,630	0.0073	954	126,001	0.0075	947
Available-for-sale financial assets						
USD	6	29.0500	172	70	30.2600	2,125
Financial assets carried at cost						
USD	22,157	29.0500	643,670	22,620	30.2600	684,497
Investments accounted for by the equity method						
USD	9,846	29.0500	286,027	10,206	30.2600	308,835
<u>Financial liabilities</u>						
Monetary items						
USD	27,031	29.0500	785,257	28,450	30.2600	860,897
VND	106,092,810	0.0014	152,380	89,472,793	0.0015	130,004
ZAR	30,395	3.5630	108,298	25,542	3.7040	94,606
PESO	26,560	2.2367	59,408	33,455	2.1647	72,421
NIC	10,556	1.2041	12,711	10,318	1.3170	13,589
KHR	164,599	0.0073	1,202	117,425	0.0075	882
EUR	30	38.4860	1,155	30	39.2000	1,176

27. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its subsidiaries:

- 1) Financing provided: None
- 2) Endorsement/guarantee provided: Table 1 (attached)
- 3) Marketable securities held: Table 2 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the capital stock: Table 3 (attached)
- 5) Acquisition of individual real estates at costs of at least \$100 million or 20% of the capital stock: None
- 6) Disposal of individual real estates at prices of at least \$100 million or 20% of the capital stock: None
- 7) Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the capital stock: Table 4 (attached)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the capital stock: Table 5 (attached)

9) Names, locations, and related information of investees on which the Company exercises significant influence: Table 6 (attached)

10) Derivative transactions: None

The Group had no derivative transactions in 2012 and 2011.

b. Investment in Mainland China

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 7 (attached)

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None

3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None

4) Financings directly or indirectly provided to the investees: None

5) Other transactions that significantly impacted current year's profit or loss or financial position: None

c. Intercompany relationships and significant intercompany transactions: Table 8 (attached)

28. OPERATING SEGMENT FINANCIAL INFORMATION

a. Basic information

1) Classification of operating segment

The Group's reportable segments under Statement of Financial Accounting Standards No. 41 - "Operating Segments" are as follows:

- a) Textile
- b) Garment

2) Principles for measuring operating segments' profit or loss and assets and liabilities

Significant accounting policies used for each operating segments are consistent with the policies stated in Note 2 to the financial statements.

b. Segment revenues and results

The analysis of the Group's operating revenue and results by reportable segment is as follows:

	Segment Revenue		Segment Profit	
	Year Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Textile segment			\$ (401,791)	\$ 155,270
From outside customers	\$ 4,771,888	\$ 5,002,938		
From intersegment sales	1,787,186	1,432,855		
Garment segment			625,105	564,115
From outside customers	8,395,503	8,100,506		
From intersegment sales	-	-		
Other segment			(4,067)	100
From outside customers	1,769	3,942		
From intersegment sales	-	-		
Elimination	(1,787,186)	(1,432,855)	-	-
Total revenues	\$ 13,169,160	\$ 13,107,386	219,247	719,485
Unallocated amount				
Administrative cost			(144,813)	(122,922)
Other shared expense			(27,270)	(36,265)
Operating income			47,164	560,298
Interest revenue			36,961	36,760
Investment income recognized under the equity method			14,722	42,043
Dividend income			5,200	46,952
Gain (loss) on disposal of property, plant, and equipment and idle assets			24,213	(29,419)
Gain on disposal of investments			736,376	256,852
Rent revenue			21,018	21,077
Gain on reversal of bad debts			6,367	7,219
Refund of customs duties and subsidy revenue			151,604	193,743
Interest expense			(13,572)	(18,114)
Realized loss on long-term investments			(1,170)	-
Exchange loss			(57,913)	(125,550)
Impairment loss			(4,609)	(21,027)
Fire loss			(114,755)	-
Others			23,239	(25,727)
Income before income tax			\$ 874,845	\$ 945,107

The measure of the operating segments' profit or loss is controlled by management.

c. Segment assets and liabilities

	December 31	
	2012	2011
<u>Segment assets</u>		
Textile segment	\$ 5,166,578	\$ 6,846,289
Garment segment	5,031,707	5,948,703
Other shared assets	<u>2,985,270</u>	<u>1,896,971</u>
Consolidated assets	<u>\$ 13,183,555</u>	<u>\$ 14,691,963</u>

The measure of the Group's operating assets is the assets controlled by management. The measure of operating liabilities is the Group's capital budget and capital demand that are not allocated by to individual operating segments. Thus, the operating liabilities are not subject to segment performance evaluation.

d. Other segment information

	December 31	
	2012	2011
<u>Depreciation and amortisation</u>		
Textile segment	\$ 521,095	\$ 522,361
Garment segment	266,824	274,128
Other segment	<u>13,120</u>	<u>12,196</u>
	<u>\$ 801,039</u>	<u>\$ 808,685</u>

The increase in noncurrent assets is not reviewed regularly by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Thus, noncurrent assets are not disclosed in the operating segments.

e. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	Year Ended December 31	
	2012	2011
Fabrics	\$ 4,771,888	\$ 5,002,938
Garments	8,395,503	8,100,506
Others	<u>1,769</u>	<u>3,942</u>
	<u>\$ 13,169,160</u>	<u>\$ 13,107,386</u>

f. Geographical information

The Group operates in three principal geographical areas: Taiwan, America, Africa and other Asian areas. The Group's revenue from continuing operations from external customers and information on its non-current assets by geographical location are detailed below.

	Revenue from External Customers		Noncurrent Assets	
	December 31		December 31	
	2012	2011	2012	2011
Taiwan	\$ 10,641,628	\$ 10,498,323	\$ 1,117,760	\$ 1,217,520
America	1,882,597	1,956,426	689,688	863,457
Africa	644,935	652,637	1,242,942	1,523,157
Other areas in Asia	-	-	1,449,872	1,416,473
	<u>\$ 13,169,160</u>	<u>\$ 13,107,386</u>	<u>\$ 4,500,262</u>	<u>\$ 5,020,607</u>

g. Information on major customers

Revenues from any individual customer that was at least 10% of the Group's revenue for 2012 and 2011 were as follows:

Customer	2012		2011	
	Sales Amount	Percentage to Revenue (%)	Sales Amount	Percentage to Revenue (%)
A	\$ 3,860,291	29	\$ 3,578,413	27
B	1,588,003	12	1,672,309	13
C	<u>1,355,323</u>	<u>10</u>	<u>1,495,733</u>	<u>11</u>
	<u>\$ 6,803,617</u>	<u>51</u>	<u>\$ 6,746,455</u>	<u>51</u>

Customers A and customer C are the major customers of the garment segment. Customer B is the major customer of textile segment.

29. PLAN TO ADOPT INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group discloses the following information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the FSC announced the “Framework for Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange (TSE) or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), and the Interpretations as well as related guidance approved by the FSC. To comply with this framework, the Group has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Tsai, a senior manager of the Company. The main contents of the plan and status of execution as of December 31, 2012 were as follows:

<u>Contents of Plan</u>	<u>Responsible Department</u>	<u>Status of Execution</u>
1) Establish an IFRSs task force.	Accounting and finance divisions	Completed
2) Set up transition plans for IFRSs adoption.	Accounting and finance divisions	Completed
3) Identify differences between the existing accounting policies and IFRSs.	Accounting and finance divisions	Completed
4) Identify the consolidated entities under IFRSs.	Accounting and finance divisions	Completed
5) Evaluate the impact of exemptions and options under IFRS 1 “First-time Adoption of International Financial Reporting Standards.”	Accounting and finance divisions	Completed
6) Evaluate required adjustments to the information system.	Accounting, finance and information divisions	Completed
7) Evaluate required adjustments to the internal controls.	Accounting, finance and internal audit divisions	Completed
8) Determine the accounting policies under IFRS for Group adoption.	Accounting and finance divisions	Completed
9) Determine the IFRS 1 exemptions and options to be selected.	Accounting and finance divisions	Completed
10) Prepare the opening balance sheet under IFRSs.	Accounting and finance divisions	Completed
11) Prepare comparative financial information under IFRSs for 2012.	Accounting and finance divisions	Completed
12) Modify the relevant internal controls to be adjusted.	Accounting and finance divisions	Completed

- b. As of December 31, 2012, the Group had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Notes
		Items	Amount	Differences in Recognitions and Measurement Difference	Presentation Difference	
Deferred income tax asserts - current	\$ 82,261	\$ (82,261)	\$ -	\$ -	-	a)
Other current assets	<u>7,631,916</u>	-	-	<u>7,631,916</u>	Other current assets	
Total current assets	<u>7,714,177</u>	-	-	<u>7,631,916</u>	Total current assets	
Long- term investments	<u>1,937,174</u>	-	-	<u>1,937,174</u>	Long- term investments	
Property, plant, and equipment	<u>4,545,745</u>	268,342	(321,036)	<u>4,493,051</u>	Property, plant, and equipment	b) e)
Intangible assets	<u>44,846</u>	-	-	<u>44,846</u>	Intangible assets	
Leased assets, net	<u>229,706</u>	(101,198)	-	<u>128,508</u>	Investment properties	b)
Idle assets	<u>43,173</u>	(43,173)	-	-	-	b)
Refundable deposits	<u>20,005</u>	-	-	<u>20,005</u>	Refundable deposits	
Deferred charges, net	<u>135,292</u>	(135,292)	-	-	-	b)
Long-term prepayments	<u>-</u>	33,166	-	<u>33,166</u>	Long- term prepayments	b)
Deferred income tax assets - noncurrent	<u>-</u>	124,057	146,418	<u>270,475</u>	Deferred income tax assets	a) c) d) e)
Others	<u>21,845</u>	(21,845)	-	-	-	b)
Total other assets	<u>450,021</u>	-	-	<u>452,154</u>	Total other assets	
Total	<u>\$ 14,691,963</u>	-	-	<u>\$ 14,559,141</u>	Total	
Accrued expenses	\$ 554,860	-	14,069	\$ 568,929	Accrued expenses	c)
Other current liabilities	<u>1,713,099</u>	-	-	<u>1,713,099</u>	Other current liabilities	
Total current liabilities	<u>2,267,959</u>	-	-	<u>2,282,028</u>	Total current liabilities	
Long-term bank loans	<u>630,000</u>	-	-	<u>630,000</u>	Long-term bank loans	
Accrued pension cost	<u>253,735</u>	-	88,445	<u>342,180</u>	Accrued pension cost	d)
Guarantee deposits received	<u>2,036</u>	-	-	<u>2,036</u>	Guarantee deposits received	
Deferred income tax liabilities - noncurrent	<u>231,276</u>	41,796	-	<u>273,072</u>	Deferred income tax liabilities	a)
Total other liabilities	<u>487,047</u>	-	-	<u>617,288</u>	Total other liabilities	
Total liabilities	<u>3,385,006</u>	-	-	<u>3,529,316</u>	Total liabilities	
Capital stock	<u>4,812,500</u>	\$ -	-	<u>\$ 4,812,500</u>	Capital stock	
Capital surplus	<u>386,640</u>	-	5,155	<u>391,795</u>	Capital surplus	e)
Retained earnings	<u>5,813,186</u>	-	(714,864)	<u>5,098,322</u>	Retained earnings	c) d) e)
Cumulative translation adjustments	<u>(432,597)</u>	-	432,597	-	Exchange differences on translating foreign operations	e)
Unrealized gain on financial instruments	<u>625,395</u>	-	-	<u>625,395</u>	Unrealized gain on financial instruments	
Equity attributable to stockholders of the Company	<u>11,205,124</u>	-	-	<u>10,928,012</u>	Equity attributable to stockholders of the Company	
Minority interests	<u>101,833</u>	-	(20)	<u>101,813</u>	Noncontrolling interests	e)
Total stockholders' equity	<u>11,306,957</u>	-	-	<u>11,029,825</u>	Total equity	
Total	<u>\$ 14,691,963</u>	-	-	<u>\$ 14,559,141</u>	Total	

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Notes
		Items	Amount	Differences in Recognitions and Measurements Difference	Presentation Difference	
Deferred income tax assets - current	\$ 46,868	\$ (46,868)	\$ -	\$ -	-	a)
Other current assets	<u>6,846,679</u>	-	-	<u>6,846,679</u>	Other current assets	
Total current assets	<u>6,893,547</u>	-	-	<u>6,846,679</u>	Total current assets	
Long- term investments	<u>1,746,016</u>	-	-	<u>1,746,016</u>	Long- term investments	
Property, plant, and equipment	4,073,903	251,125	(274,961)	4,050,067	Property, plant, and equipment	b) e)
Intangible assets	<u>67,154</u>	-	(24,101)	<u>43,053</u>	Intangible assets	d)
Leased assets, net	203,931	(104,378)	-	99,553	Investment properties	b)
Idle assets	17,397	(17,397)	-	-	-	b)
Refundable deposit	19,629	-	-	19,629	Refundable deposit	
Long- term prepayments	-	32,628	-	32,628	Long- term prepayments	b)
Deferred income tax assets - noncurrent	140,133	(140,133)	-	-	Deferred income tax assets	a) c) d) e)
Others	21,845	(21,845)	-	-	-	b)
Total other assets	<u>402,935</u>	-	-	<u>441,407</u>	Total other assets	
Total	<u>\$ 13,183,555</u>	-	-	<u>\$ 13,127,222</u>	Total	
Accrued expenses	\$ 477,549	-	15,991	\$ 493,540	Accrued expenses	c)
Other current liabilities	<u>1,644,893</u>	-	-	<u>1,644,893</u>	Other current liabilities	
Total current liabilities	<u>2,122,442</u>	-	-	<u>2,138,433</u>	Total current liabilities	
Long-term bank loans	<u>300,000</u>	-	-	<u>300,000</u>	Long-term bank loans	
Accrued pension cost	284,616	-	105,436	390,052	Accrued pension cost	d)
Guarantee deposits received	1,999	-	-	1,999	Guarantee deposits received	
Deferred income tax liabilities - noncurrent	232,352	42,591	88	275,031	Deferred income tax liabilities	a) e)
Total other liabilities	<u>518,967</u>	-	-	<u>667,082</u>	Total other liabilities	
Total liabilities	<u>2,941,409</u>	-	-	<u>3,105,515</u>	Total liabilities	
Capital stock	4,331,250	-	-	4,331,250	Capital stock	
Capital surplus	386,767	-	5,155	391,922	Capital surplus	e)
Retained earnings	6,089,795	-	(712,125)	5,377,670	Retained earnings	c) d) e)
Cumulative translation adjustments	(709,285)	-	484,452	(224,833)	Exchange differences on translating foreign operations	e)
Net loss not recognized as pension cost	(2,101)	-	2,101	-	-	d)
Unrealized gain on financial instruments	49,575	-	-	49,575	Unrealized gain on financial instruments	
Equity attributable to stockholders of the Company	<u>10,146,001</u>	-	-	<u>9,925,584</u>	Equity attributable to stockholders of the Company	
Minority interests	<u>96,145</u>	-	(22)	<u>96,123</u>	Noncontrolling interests	e)
Total stockholders' equity	<u>10,242,146</u>	-	-	<u>10,021,707</u>	Total equity	
Total	<u>\$ 13,183,555</u>	-	-	<u>\$ 13,127,222</u>	Total	

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Notes
		Items	Amount	Differences in Recognitions and Measurement Difference	Presentation Difference	
Operating revenues	\$ 13,169,160	\$ -	\$ -	\$ 13,169,160	Operating revenues	
Operating costs	<u>(12,300,723)</u>	-	48,771	<u>(12,251,952)</u>	Operating costs	e)
Gross profit	868,437			917,208	Gross profit	
Operating expenses	<u>(821,273)</u>	-	4,866	<u>(816,407)</u>	Operating expenses	c) d)
Operating income	<u>47,164</u>			<u>100,801</u>	Operating income	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	36,961	-	(34)	36,927	Interest income	e)
Others	<u>1,051,428</u>	-	-	<u>1,051,428</u>	Others	
Total nonoperating expenses and losses	<u>1,088,389</u>			<u>1,088,355</u>	Total nonoperating expenses and losses	
Nonoperating expenses and losses					Nonoperating expenses and losses	
Exchange loss, net	(57,913)	-	(8,971)	(66,884)	Exchange loss, net	e)
Others	<u>(202,795)</u>	-	551	<u>(202,244)</u>	Others	e)
Total nonoperating expenses and losses	<u>(260,708)</u>			<u>(269,128)</u>	Total nonoperating expenses and losses	
Income before income tax	874,845			920,028	Income before income tax	
Income tax expense	<u>(118,657)</u>	-	(916)	<u>(119,573)</u>	Income tax expense	c) d) e)
Net consolidated income	<u>\$ 756,188</u>			<u>800,455</u>	Net consolidated income	
				(274,946)	Exchange differences on translating foreign operations	
				(49,981)	Actuarial loss on defined benefit plans	
				(575,820)	Unrealized loss on available-for-sale financial assets	
				127	Other adjustments of other comprehensive income	
				54,547	Income tax relating to the components of other comprehensive income	
				<u>(846,073)</u>	Other comprehensive income for the period, net of income tax	
				<u>\$ (45,618)</u>	Total comprehensive income for the period	

4) Appropriation of special reserve on the IFRS transition date

Under Rule No. 1010012865 issued by FSC, on the first-time adoption of IFRSs, the amount of special reserve appropriated should be the same as the amount of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings due to the selection of the exemptions under IFRS 1. However, on the transition date, if the increase in retained earnings that resulted from all IFRS adjustments is insufficient for the special reserve appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The first-time adoption of IFRS resulted in a decrease in the Group's retained earnings; thus, a special reserve was not appropriated.

5) Exemptions from IFRS 1

IFRS 1 “First-time Adoption of International Financial Reporting Standards” establishes the procedures for preparing the Group’s first consolidated financial statements prepared in accordance with IFRSs. Under IFRS 1, the Group is required to determine the accounting policies to be used under IFRSs and retrospectively apply those accounting policies to its opening balance sheet at the date of transition to IFRSs (January 1, 2012), except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The optional exemptions the Company adopted are summarized as follows:

- a) Business combinations. The Company elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before January 1, 2012. Thus, in the opening balance sheet, the amount of goodwill generated from past business combinations and relevant assets and liabilities as well as noncontrolling interest included in business combinations were the same as those recognized under ROC GAAP as of December 31, 2011. The above exemptions also applied to investments in associates acquired by the Group in the past.
- b) Employee benefits. The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.
- c) Translation adjustments. The Group elected to reset the net exchange differences on foreign operation to be zero and recognized the difference in retained earnings on the IFRS transition date. The impact of the above optional exemptions is described in the following “notes on the reconciliation of significant differences.”

6) Notes on the reconciliation of the significant differences

a) Deferred income tax asset/liability and valuation allowance

Under ROC GAAP, valuation allowances are recognized to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IAS 12 “Income Taxes,” deferred tax assets are recognized only to the extent that it is probable that there will be sufficient taxable profits against which the deductible temporary differences can be used; thus, there is no need for a valuation allowance account. In addition, under ROC GAAP, a deferred tax asset and liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as noncurrent.

Furthermore, under ROC GAAP, deferred current income tax liabilities and assets belong to the same taxable entity should be offset on net basis and so was applied to deferred non-current income tax liabilities and assets. Under IFRS, deferred tax assets and deferred tax liabilities should be offset only if the entity has a legally enforceable right to settle on a net basis and they are levied by the same tax authority on the same taxable entity (or different taxable entities that intend either to settle material current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period.)

The Group’s adjustments as of December 31, 2012 were a reclassification of \$46,868 thousand from current deferred tax assets to noncurrent deferred assets and increases in noncurrent deferred assets and noncurrent deferred liabilities by \$42,591 thousand each. The Group’s adjustments as of December 31, 2011 were a reclassification of \$82,261 thousand from current deferred tax assets to noncurrent deferred assets and increases in noncurrent deferred assets and noncurrent deferred liabilities by 41,796 thousand each.

b) Property, plant, and equipment and investment property

Under ROC GAAP, the Group's properties held to earn rentals are considered as having long-term use for operating purposes and are thus classified as property, plant and equipment. Under IFRSs, the properties held for the earning of rentals, for capital appreciation or for both purposes are classified under property, plant and equipment or investment properties in accordance with their nature.

For both leased assets and idle assets, the Group reclassified \$99,553 thousand and \$128,508 thousand as of December 31, 2012 and 2011, respectively, to investment assets.

In addition, part of leased assets originally classified as other assets cannot be sold independently and the area is considered immaterial; thus, under IFRSs, these assets do not qualify as investment property and were thus reclassified to property, plant, and equipment. On IFRS transition, the Group reclassified \$121,775 thousand and \$144,371 thousand of properties as of December 31, 2012 and 2011, respectively, from leased assets to property, plant, and equipment.

Under ROC GAAP, deferred charges are classified under other assets. Under IFRSs, deferred charges are classified as property, plant and equipment or long-term prepayments in accordance with their nature. Thus, the Group reclassified \$140,133 thousand in deferred charges as of December 31, 2012 to property, plant and equipment amounting to \$107,505 thousand and long-term prepayments amounting to \$32,628 thousand. The Group also reclassified \$135,292 thousand in deferred charges as of December 31, 2011 to property, plant and equipment amounting to \$102,126 thousand and long-term prepayments amounting to \$33,166 thousand.

Under the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, farmland registered under the name of an entity that was not part of the Group was classified under other assets. Under IFRSs, this farmland should be classified as property, plant and equipment in accordance with its nature. Thus, the Group reclassified farmland amounting to \$21,845 thousand as of December 31, 2012 and 2011 to property, plant and equipment.

c) Employees benefits - short-term accumulative compensated absences

Short-term accumulative compensated absences are not specifically addressed under ROC GAAP and are usually recognized as salary expense when employees actually take their vacation leaves. Under IFRSs, accumulative compensated absences are recognized as salary expense as employees render services that increase their entitlement to future compensated absences.

Thus, as of December 31, 2012, the Group accrued payables of \$15,991 thousand and increased deferred tax assets of \$2,718 thousand. As of December 31, 2011, the Group accrued payables of \$14,069 thousand and increased deferred tax assets of \$2,392 thousand. For the year ended December 31, 2012, the Group increased salary expenses of 1,922 thousand and decreased income tax expenses of 326 thousand.

d) Employees benefits - defined benefit plan

Under ROC GAAP, unrecognized net transition obligation from the first-time adoption of SFAS No. 18 - "Accounting for Pensions" should be amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits using the straight-line method and these obligations should be included in net pension cost. Under IFRSs, the Group is not subject to the transition requirements of IAS 19. Thus, unrecognized net transition obligation should be recognized immediately in retained earnings.

Under ROC GAAP, actuarial gains and losses are recognized under corridor approach. If the accumulated unrecognized actuarial gains and losses exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, the excess is amortized over the expected average remaining service life of the employees who are still in service and expected to receive pension benefits. Under IFRSs, actuarial gains and losses should be recognized immediately as other comprehensive income and as retained earnings in the statement of changes in equity and should not be reclassified to gains or losses in the subsequent period.

In addition, under ROC GAAP, minimum pension liability is the present value of the defined benefit obligation in excess of the fair value of the plan assets at the balance sheet date. If the accrued pension liability is less than the minimum pension liability, entity should make up for this deficit. Under IFRS, there is no provision or requirement on minimum pension liabilities.

As of December 31, 2012 and 2011, the Group performed the actuarial valuation under IAS No. 19 “Employee Benefits” and thus recognized accrued pension liabilities of \$105,436 thousand and \$88,445 thousand, respectively, and deferred tax assets of \$22,379 thousand and \$15,036 thousand, respectively, under IFRS 1. In addition, deferred pension cost and net loss not recognized as pension cost as of December 31, 2012 decreased by \$24,101 thousand and \$2,101 thousand, respectively. For 2012, pension cost decreased by \$6,788 thousand; income tax expense increased by \$1,154 thousand; and actuarial valuation loss under the defined benefit plan increased by \$49,981 thousand (\$41,484 thousand, after tax.)

e) Cumulative translation adjustments

Under ROC GAAP, many factors are simultaneously considered in determining functional currency. Under IAS 21 - “The Effects of Changes in Foreign Exchange Rates,” the factors for identifying functional currency are classified into primary and secondary on the basis of management’s weighing of the relative importance of all factors to determine functional currency.

Thus, under IAS No. 21 “The Effects of Changes in Foreign Exchange Rates,” the Group recalculated the impact of exchange rate changes and elected to reset the net exchange difference on foreign operations to zero, and recognized this difference in retained earnings on the IFRS transition date. For the adjustments as of January 1, 2012, the Group increased deferred tax assets by \$128,990 thousand; decreased property, plant, and equipment by \$321,036 thousand; increased cumulative translation adjustments by \$432,597 thousand; increased additional paid-in capital by \$5,155 thousand; decreased noncontrolling interests by \$20 thousand; and decreased retained earnings by \$629,778 thousand. For the adjustments as of December 31, 2012, the Group increased deferred tax assets by \$175,041 thousand; increased deferred tax liabilities by \$88 thousand; decreased property, plant, and equipment by \$274,961 thousand; increased cumulative translation adjustments by \$484,452 thousand; increased additional paid-in capital by \$5,155 thousand; decreased noncontrolling interests by \$22 thousand; and decreased retained earnings by \$589,593 thousand. For the adjustments for 2012, the Group decreased operating costs by \$48,771 thousand; decreased interest revenue by \$34 thousand; increased foreign exchange loss by \$8,971 thousand; decreased miscellaneous expenses by \$551 thousand; increased income tax expenses by \$88 thousand; and decreased the noncontrolling interests’ loss on exchange rate changes by \$44 thousand.

- c. The Group has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts (Note C)	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment (Note D)	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/Guarantee Amounts Allowable (Note C)
		Name	Nature of Relationship						
0	Nien Hsing Textile Co., Ltd. (the "Company")	Phoenix Development & Marketing Co., Ltd. Nien Hsing International Investment Co., Ltd.	(Note B) (Note A)	\$ 3,043,800 3,043,800	\$ 2,118,200 150,000	\$ 1,778,200 150,000	\$ - -	18 1	\$ 5,073,000 5,073,000

Notes:

A. Subsidiary.

B. Wholly owned subsidiary of Nien Hsing International (B.V.I.) Ltd., which is a wholly owned subsidiary of the Company.

C. The maximum total guarantee that the Company may provide is 50% of the carrying value of its net assets, and maximum guarantee for each party is 30% of the carrying value of the Company's net assets.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Ltd.	Subsidiary	Investments accounted for by the equity method	208,350	\$ 4,845,702	100.00	\$ 4,847,308	Note A
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	453,848	100.00	453,848	
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	395,449	100.00	395,449	
	Alpha Textile (Nicaragua) S.A.	Subsidiary	Investments accounted for by the equity method	1,000	367,421	100.00	367,421	
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	14,000	321,051	100.00	321,051	
	Chih Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	4,414	120,801	100.00	120,801	
	Nien Hsing International Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,000,000	42,816	100.00	42,816	
	China International Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	3,274,021	39,865	22.42	39,865	
	Chu Hsing Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	500,000	15,261	100.00	15,261	
	Wu Hsing International Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	450,000	-	30.00	-	
	Simplo Technology Co., Ltd.	-	Available-for-sale financial asset - noncurrent	345,617	50,460	0.12	50,460	
	Mycenax Biotech Inc.	-	Financial assets carried at cost - noncurrent	7,000,000	107,100	12.17	18,789	
	Roo Hsing Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,032,258	35,997	6.88	47,379	
	UFO Investment Corporation	-	Financial assets carried at cost - noncurrent	3,384,000	33,840	5.00	2,204	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,404,496	19,107	4.56	15,839	
	Inno Stream Consulting Investment Inc.	-	Financial assets carried at cost - noncurrent	789,529	7,895	8.33	3,992	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	419,520	4,196	2.22	4,752	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Nien Hsing International (B.V.I.) Ltd.	Ultra Chip, Inc.	-	Financial assets carried at cost - noncurrent	486,011	\$ 877	0.55	\$ 4,915	
	Breeze Digital Technology Corp.	-	Financial assets carried at cost - noncurrent	147,000	-	2.94	127	
	Nien Hsing International (Bermuda) Ltd.	Subsidiary	Investments accounted for by the equity method	29,400	676,521	100.00	676,521	
	Nien Hsing International (Samoa) Ltd.	Subsidiary	Investments accounted for by the equity method	40,300,000	1,716,350	100.00	1,716,350	
	Phoenix Development & Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	45,000,000	1,686,396	100.00	1,686,396	
	Nien Hsing Development (Samoa) Ltd.	Subsidiary	Investments accounted for by the equity method	330,000	9,241	100.00	9,241	
	Foster Capital Management Inc.	Subsidiary	Investments accounted for by the equity method	1,743,750	56,168	77.50	56,168	
	C Square Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	9,017,964	243,423	75.26	243,423	
Nien Hsing International (Bermuda) Ltd.	RABOBANK NEDERLAND	-	Bond investments with no active market - noncurrent	10,000	352,514	-	352,514	
	Nien Hsing International Victoria Ltd.	Subsidiary	Investments accounted for by the equity method	47,410	551,008	99.99	551,008	
	Nien Hsing Confeccion Ltd.	Subsidiary	Investments accounted for by the equity method	26	(13,466)	99.99	(13,466)	
Nien Hsing International (Samoa) Ltd.	C&Y Garments	Subsidiary	Investments accounted for by the equity method	99,800	158,712	99.80	172,927	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200,000	197,676	100.00	197,676	
	Global Garment (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	228,392	100.00	228,392	
	Formosa Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	423,335	100.00	423,335	
Phoenix Development & Marketing Co., Ltd.	Grand Paper International (B.V.I.) Ltd.	Equity-method investee	Investments accounted for by the equity method	1,110,000	60,046	37.00	60,046	
	C&D Capital Corp.	Equity-method investee	Investments accounted for by the equity method	3,347,882	95,260	22.42	95,260	
	C&D Capital II Corp.	Equity-method investee	Investments accounted for by the equity method	4,500,000	130,721	28.74	130,721	
	Top Fashion Industrial Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	450,000	-	30.00	-	
	MEMSIC Inc.	-	Available-for-sale financial asset - current	1,772	172	0.01	172	
	Twin Dragon Marketing, Inc.	-	Bond investments with no active market - noncurrent	2,000	58,100	-	58,100	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	-	Financial assets carried at cost - noncurrent	18,517	\$ 532,337	-	\$ 541,769	
	PTS International, Inc.	-	Financial assets carried at cost - noncurrent	2,500,000	58,100	2.87	-	
	Analogix Semiconductor, Inc.	-	Financial assets carried at cost - noncurrent	75,811	3,203	0.15	461	
	VeriSilicon Holdings (Cayman Islands) Co., Ltd.	-	Financial assets carried at cost - noncurrent	193,547	8,727	0.35	-	
	GEM Services, Inc.	-	Financial assets carried at cost - noncurrent	319,670	-	0.83	-	
	Paragon Wireless, Inc.	-	Financial assets carried at cost - noncurrent	431,542	-	0.97	-	
	DigiMedia Technologies Co., Ltd.	-	Financial assets carried at cost - noncurrent	368,532	-	0.54	-	
	Solar Power Inc.	-	Financial assets carried at cost - noncurrent	53,165	1,545	0.03	336	
	Thousand Luck Limited	-	Financial assets carried at cost - noncurrent	200,000	-	1.33	-	
	Tong Yang Holding Corporation	-	Financial assets carried at cost - noncurrent	558,321	32,502	0.74	31,832	
	Saybot LLC	-	Financial assets carried at cost - noncurrent	113,733	5,077	0.72	414	
	Digital Knowledge World Co., Ltd.	-	Financial assets carried at cost - noncurrent	357,140	2,179	0.26	1,399	
C Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	9,771,831	269,703	100.00	269,703	
Nien Hsing International Investment Co., Ltd.	Imagic Technologies Co., Ltd.	-	Financial assets carried at cost - noncurrent	3,400	-	0.01	-	
	Igiant Optics Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,800	-	0.01	-	
	TopRay Technologies, Inc.	-	Financial assets carried at cost - noncurrent	460,013	-	0.93	-	
	Leader Visual-Audio Productions Co.	-	Financial assets carried at cost - noncurrent	730,000	12,264	2.43	8,343	
	Commoca Inc.	-	Financial assets carried at cost - noncurrent	40,300	-	0.21	-	
	Princedom Precision Corporation	-	Financial assets carried at cost - noncurrent	166,334	2,140	1.21	1,466	
	Apaq Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	325,244	3,920	0.51	3,647	
	Moai Electronics Corporation	-	Financial assets carried at cost - noncurrent	208,269	4,000	0.82	1,911	
	Koatech Technology Corp.	-	Financial assets carried at cost - noncurrent	809,280	8,221	1.59	3,253	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Brighton-Best International Inc.	-	Financial assets carried at cost - noncurrent	2,225,825	\$ 22,565	0.56	\$ 21,742	
	Alpha Optical Co., Ltd.	-	Financial assets carried at cost - noncurrent	664,000	7,410	1.11	4,154	
	Amazing Microelectronic Corp.	-	Financial assets carried at cost - noncurrent	462,781	12,619	0.83	6,717	
	Helio Optoelectronics Corporation	-	Financial assets carried at cost - noncurrent	254,648	4,814	1.08	3,198	
	Wisdom-Orgchem Inc.	-	Financial assets carried at cost - noncurrent	609,840	10,613	1.04	12,566	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,910,578	45,321	9.45	32,823	
	Mycenax Bigtech Inc.	-	Financial assets carried at cost - noncurrent	1,307,000	22,941	2.27	3,508	

Notes:

A: The difference between carrying value and net asset value is the adjustment of unrealized gain on transactions between the subsidiary.

B: The security transactions were eliminated when the consolidated financial statements were prepared.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2012
 (In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Adjustments (Note B)	Disposal				Ending Balance	
					Shares	Amount	Shares	Amount		Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Nien Hsing Textile Co., Ltd.	Simplo Technology Co., Ltd.	Available-for-sale financial assets - current	-	-	3,661,198	\$ 648,032	31,419 (Note A)	\$ -	\$ (577,621)	3,347,000	\$ 736,905	\$ 19,951	\$ 716,954	345,617	\$ 50,460

Note A: Stock dividend.

Note B: The amount resulted from unrealized loss on financial instruments.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE CAPITAL STOCK
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction/Item Details (Note D)				Abnormal Transaction		Notes/Accounts Payable or Receivable (Note D)		Note
			Purchase/Sale/ Processing Expense (Note C)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	Subsidiary	Sale	\$ (621,000)	(6)	Note B	-	Note B	\$ 95,760	6	
	Nien Hsing Garment (Vietnam) Co., Ltd	Subsidiary	Processing expense	609,679	14	Note A	Note A	Note A	(108,315)	(10)	
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Processing expense	592,907	14	Note A	Note A	Note A	(111,205)	(10)	
	Nien Hsing (Ninh Binh) Garment Co., Ltd.	Subsidiary	Processing expense	502,260	11	Note A	Note A	Note A	(17,251)	(2)	
	Formosa Textile Co., Ltd.	Subsidiary	Processing expense	435,576	10	Note A	Note A	Note A	-	-	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Processing expense	365,618	8	Note A	Note A	Note A	(34,895)	(3)	
	C&Y Garments	Subsidiary	Processing expense	335,614	8	Note A	Note A	Note A	(42,860)	(4)	
	Global Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	327,844	7	Note A	Note A	Note A	(34,547)	(3)	
	Alpha Textile (Nicaragua) S.A.	Subsidiary	Processing expense	233,670	5	Note A	Note A	Note A	(118,667)	(11)	
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(609,679)	(100)	Note A	Note A	Note A	108,315	95	
Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(592,907)	(88)	Note A	Note A	Note A	111,205	90	
Nien Hsing (Ninh Binh) Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(502,260)	(98)	Note A	Note A	Note A	17,251	81	
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Purchase	621,000	100	Note B	-	Note B	(95,760)	(99)	
		Parent company	Processing income	(435,576)	(95)	Note A	Note A	Note A	-	-	
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(365,618)	(100)	Note A	Note A	Note A	34,895	73	
C&Y Garments	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(335,614)	(100)	Note A	Note A	Note A	42,860	100	
Global Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(327,844)	(99)	Note A	Note A	Note A	34,547	97	
Alpha Textile (Nicaragua) S.A.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(233,670)	(100)	Note A	Note A	Note A	118,667	100	
Phoenix Development & Marketing Co., Ltd.	Nien Hsing International Victoria Ltd.	With same parent company	Processing expense	583,216	86	Note A	Note A	Note A	(134,899)	(73)	
Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	With same parent company	Processing income	(583,216)	(100)	Note A	Note A	Note A	134,899	82	

Notes:

- A. Processing fees charged by subsidiaries were based on operating cost; subsidiaries made payments depending on their financial condition.
- B. Payments were made in cash upon demand.
- C. Processing expense was calculated as a ratio to manufacturing expense.
- D. The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Notes A and B)	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Bad Debt
					Amount	Action Taken		
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	\$ 108,315	Note A	\$ -	-	\$ 51,244	\$ -
Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	111,205	Note A	-	-	47,840	-
Alpha Textile (Nicaragua) S.A.	Nien Hsing Textile Co., Ltd.	Parent company	118,667	Note A	-	-	10,724	-
Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	116,907	Note A	-	-	-	-
Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	With same parent company	134,899	Note A	-	-	40,931	-

Notes:

A: Payments were made upon request.

B: The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note (Relationship of Investee to Investor)
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Nien Hsing Textile Co., Ltd. (the "Company")	Nien Hsing International (B.V.I.) Co., Ltd.	Citco Building, Wickhams Cay Road Town Tortola	Investment holding company	\$ 3,351,921	\$ 3,351,921	208,350	100.00	\$ 4,845,702	\$ 86,881	\$ 85,489	Subsidiary (Note A)
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Ninh Phuc Industrial Zone, Ninh Binh City, Thai Binh Province, Vietnam	Manufactures jeans	714,092	714,092	-	100.00	453,848	(77,898)	(77,898)	Subsidiary
	Nien Hsing Garment (Vietnam) Co., Ltd.	Rd. TRAN THI DUNG, Phuc khanh Industrial Park, Thai Binh City, Thai Binh Province, Viet Nam	Manufactures jeans	597,121	597,121	-	100.00	395,449	(42,817)	(42,817)	Subsidiary
	Alpha Textile (Nicaragua) S.A.	Km 15 1/2 Carretera Nueva a L'eon, Los Brasiles, Managua	Dyes leisure clothing	380,294	380,294	1,000	100.00	367,421	(7,248)	(7,248)	Subsidiary
	Chu Hsing Garment (Cambodia) Co., Ltd.	Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia	Manufactures jeans	288,801	288,801	14,000	100.00	321,051	21,006	21,006	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd.	Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia	Manufactures jeans	131,158	54,396	4,414	100.00	120,801	(7,274)	(7,274)	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Business investments	20,000	20,000	2,000,000	100.00	42,816	(834)	(834)	Subsidiary (Note A)
	China International Investment Co., Ltd.	28F, No. 97 Dunhua S. Rd., Sec. 2, Da-an Taipei, Taiwan 106, R.O.C.	Business Investment	5,208	5,208	3,274,021	22.42	39,865	(3,486)	(782)	Equity-method investee
	Chu Hsing Garment Co., Ltd.	13F, No. 306 Niehu Rd., Sec. 1, Niehu Taipei, Taiwan 114, R.O.C.	Manufactures and sells jeans	86,360	86,360	500,000	100.00	15,261	(842)	(842)	Subsidiary
	Smar Tech Jeans Process Co., Ltd.	No. 119-3, Xiafuwei, Houlong Township, Miaoli Country 356, Taiwan, R.O.C.	Washes jeans	-	2,750	-	-	-	(4,061)	(2,234)	Subsidiary
Wu Hsing International Co., Ltd.	No. 97, Ln. 297, Yuanguan Rd., Nuannuan Dist., Keelung City 205, Taiwan, R.O.C.	Purchases and sells raw material, supplies and jeans	4,500	4,500	450,000	30.00	-	-	-	Equity-method investee	
Chao Hsing Textile Co., Ltd.	13F, No. 306 Niehu Rd., Sec. 1, Niehu Taipei, Taiwan 114, R.O.C.	Purchases material of fabrics and clothes	-	-	-	-	-	(22)	(22)	Subsidiary	
Nien Hsing International (B.V.I.) Co.	Nien Hsing International (Bermuda) Ltd.	Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda	Investment holding company	538,101	538,101	29,400	100.00	676,521	(1,902)	(1,902)	Subsidiary
	Nien Hsing International (Samoa) Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Investment holding company	1,294,422	1,294,422	40,300,000	100.00	1,716,350	122,745	122,745	Subsidiary
	Phoenix Development & Marketing Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Sells denims and makes business investments	1,442,492	1,442,492	45,000,000	100.00	1,686,396	(63,453)	(63,453)	Subsidiary
	Nien Hsing Development (Samoa) Co., Ltd.	Offshore Chambers, P.O. BOX 217, Apia, Samoa	Investment holding company	9,847	-	330,000	100.00	9,241	(348)	(348)	Subsidiary
	Foster Capital Management Inc. C Square Investment Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Business rental Investment holding company; also washes jeans	62,174 283,373	62,174 193,398	1,743,750 9,017,964	77.50 75.26	56,168 243,423	(51) (4,817)	(39) (3,595)	Subsidiary Subsidiary
C Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Phum Khtor Khum Prek Leap Russey Keo District, Phnom Penh Cambodia	Washes jeans	289,085	206,989	9,771,831	100.00	269,703	(10,143)	(10,143)	Subsidiary
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Lib Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130	Manufactures denims	636,161	636,161	47,410	99.99	551,008	(68)	(68)	Subsidiary
	Nien Hsing Confeccion Ltd.	Lib Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130	Manufactures jeans	30,021	30,021	26	99.99	(13,466)	(1,141)	(1,141)	Subsidiary
Nien Hsing International (Samoa) Ltd.	C&Y Garments	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	105,226	105,226	99,800	99.80	158,712	51,355	51,252	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	10,562	10,562	200,000	100.00	197,676	36,617	36,617	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note (Relationship of Investee to Investor)
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Phoenix Development & Marketing Co., Ltd.	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufactures jeans	\$ 150,535	\$ 150,535	100,000	100.00	\$ 228,392	\$ 34,385	\$ 34,385	Subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufactures denims	280,856	280,856	100,000	100.00	423,335	3,615	3,615	Subsidiary
	Grand Paper International (B.V.I.) Ltd.	Private Bag A438 Maseru 100 Lesotho	Manufactures and sells cartons	37,713	37,713	1,110,000	37.00	60,046	40,010	14,803	Equity-method investee
	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Business investment	103,057	113,919	3,347,882	22.42	95,260	2,708	608	Equity-method investee
	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Business investment	144,117	144,117	4,500,000	28.74	130,721	341	93	Equity-method investee
	Top Fashion Industrial Co., Ltd.	P.O. Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands	Purchases and sells raw material, supplies and jeans	14,644	14,644	450,000	30.00	-	-	-	-

Notes:

A: Because of the adjustment of a transaction between subsidiaries, the Company recognized a difference between net income of the investee and investment gain.

B: The accounts were eliminated when the consolidated financial statements were prepared.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Fuzhou Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	\$ 508,375	Indirect: Through an investment company registered in a third region	\$ 5,757	\$ -	\$ -	\$ 5,757	0.74%	\$ -	\$ -	\$ -
Chongqing Dajiang Yuchyang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	377,650	Indirect: Through an investment company registered in a third region	3,293	-	-	3,293	0.41%	-	-	-
NBC (PAN YU NASA) Co., Ltd.	Manufactures and sells industrial chemicals	156,870	Indirect: Through an investment company registered in a third region	111	-	-	111	0.30%	-	-	-
CHANG CHUN DUN YANG NBC Co., Ltd.	Manufactures and sells industrial chemicals	43,575	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
TJ Tung Yang Chemical Co., Ltd.	Manufactures and sells industrial chemicals	151,060	Indirect: Through an investment company registered in a third region	221	-	-	221	0.30%	-	-	-
Chang Chun Fawer Tong Yang Plastic Co., Ltd.	Manufactures and sells automobile and motorcycle parts	784,350	Indirect: Through an investment company registered in a third region	6,342	-	-	6,342	0.36%	-	-	-
Harbin Hafei Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	348,600	Indirect: Through an investment company registered in a third region	2,303	-	-	2,303	0.19%	-	-	-
Wuhan Tung Yang Chemical Co., Ltd.	Manufactures and sells industrial chemicals	43,573	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
NBC (NAN JING) Co., Ltd.	Manufactures and sells industrial chemicals	87,150	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
Chongqing Daijian Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	377,650	Indirect: Through an investment company registered in a third region	921	-	-	921	0.19%	-	-	-
Nanjing KaiYang Auto Plastic Parts Co., Ltd.	Manufactures and sells of plastic vehicle parts	798,875	Indirect: Through an investment company registered in a third region	3,869	-	-	3,869	0.332%	-	-	-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
\$31,869	\$29,329	\$6,145,287

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

2012

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			Ratio to Consolidated Operating Revenue or Asset (%)
				Account	Amount (Note E)	Condition	
0	Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	1	Sales revenue	\$ 621,100	Note B	4.72
		Formosa Textile Co., Ltd.	1	Receivable from related parties	95,760	Note B	0.73
		Smar Tech Jeans Process Co., Ltd.	1	Rent revenue	16	Note D	-
		Smar Tech Jeans Process Co., Ltd.	1	Service revenue	2,988	Note D	0.02
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	19	Note B	-
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Other revenue	10	Note D	-
		Phoenix Development & Marketing Co., Ltd.	1	Service revenue	13,968	Note D	0.10
		Phoenix Development & Marketing Co., Ltd.	1	Receivable from related parties	18,026	Note B	0.14
		C Square Investment Co., Ltd.	1	Receivable from related parties	15,761	Note B	0.12
		C Square Garment Co., Ltd.	1	Receivable from related parties	39,730	Note B	0.30
Chih Hsing Garment (Cambodia) Co., Ltd.	1	Receivable from related parties	12,298	Note D	0.09		
1	Chu Hsing Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Rent revenue	295	Note D	-
2	Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	592,907	Note C	4.50
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	111,205	Note B	0.84
		C Square Investment Co., Ltd.	3	Processing income	81,017	Note C	0.62
		C Square Garment Co., Ltd.	3	Receivable from related parties	8,997	Note B	0.07
		Chih Hsing Garment (Cambodia) Co., Ltd.	3	Receivable from related parties	1,852	Note B	0.01
Foster Capital Management Inc.	3	Receivable from related parties	9,347	Note B	0.07		
3	Chih Hsing Garment (Cambodia) Co., Ltd.	C Square Garment Co., Ltd.	3	Receivable from related parties	2,683	Note B	0.02
4	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	609,679	Note C	4.63
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	108,315	Note B	0.82
5	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	502,260	Note C	3.81
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	17,251	Note B	0.13
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Processing income	9,302	Note C	0.07
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Receivable from related parties	3,995	Note B	0.03
6	Alpha Textile (Nicaragua) S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	233,670	Note C	1.77
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	118,667	Note B	0.90

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
7	Nien Hsing International (Bermuda) Ltd.	Phoenix Development & Marketing Co., Ltd.	3	Rent revenue	\$ 58,358	Note D	0.44
8	Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd. Phoenix Development & Marketing Co., Ltd. Nien Hsing Confeccion Ltd.	3 3 3	Processing income Receivable from related parties Receivable from related parties	588,216 134,899 14,854	Note C Note B Note B	4.43 1.02 0.11
9	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd.	2 2	Rent revenue Receivable from related parties	213,792 116,907	Note D Note B	1.62 0.89
10	C&Y Garments	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. Nien Hsing International (Lesotho) Co., Ltd. Global Garment Co., Ltd.	2 2 3 3	Processing income Receivable from related parties Processing income Processing income	335,614 42,860 384 493	Note C Note B Note C Note C	2.55 0.33 - -
11	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. C&Y Garments C&Y Garments Global Garment Co., Ltd. Nien Hsing International (Samoa) Co., Ltd.	2 2 3 3 3 3	Processing income Receivable from related parties Processing income Receivable from related parties Processing income Receivable from related parties	365,618 34,895 48 544 826 10,820	Note C Note B Note C Note B Note C Note B	2.78 0.26 - - 0.01 0.08
12	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. C&Y Garments C&Y Garments Nien Hsing International (Lesotho) Co., Ltd. Nien Hsing International (Lesotho) Co., Ltd.	2 2 3 3 3 3	Processing income Receivable from related parties Processing income Receivable from related parties Processing income Receivable from related parties	327,844 34,547 975 816 1,228 349	Note C Note B Note C Note B Note C Note B	2.49 0.26 0.01 0.01 0.01 -
13	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd. C&Y Garments Nien Hsing International (Lesotho) Co., Ltd. Global Garment Co., Ltd. Nien Hsing International (Samoa) Co., Ltd.	2 3 3 3 3	Processing income Receivable from related parties Receivable from related parties Receivable from related parties Receivable from related parties	435,576 88 429 409 3,191	Note C Note B Note B Note B Note B	3.31 - - - 0.02
14	Phoenix Development & Marketing Co., Ltd.	Nien Hsing International (Bermuda) Ltd. C Square Garment Co., Ltd.	3 3	Receivable from related parties Receivable from related parties	21,059 10,924	Note B Note B	0.16 0.08
15	C Square Investment Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd. Chu Hsing Garment (Cambodia) Co., Ltd.	3 3	Processing income Receivable from related parties	97,526 8,285	Note C Note B	0.74 0.06
16	C Square Garment Co., Ltd.	Chu Hsing Garment Co., Ltd. Foster Capital Management Inc. Foster Capital Management Inc.	3 3 3	Processing income Processing income Receivable from related parties	16,185 545 19,590	Note C Note C Note B	0.12 - 0.15

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
0	Nien Hsing Textile Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd.	1	Other revenue	\$ 1,206	Note D	0.01
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Other revenue	6,786	Note D	0.05
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Receivable from related parties	950	Note B	0.01
		C&Y Garments	1	Receivable from related parties	760	Note B	0.01
		Formosa Textile Co., Ltd.	1	Sales revenue	632,322	Note B	4.82
		Formosa Textile Co., Ltd.	1	Receivable from related parties	87,120	Note B	0.59
		Phoenix Development & Marketing Co., Ltd.	1	Service revenue	9,633	Note D	0.07
		Phoenix Development & Marketing Co., Ltd.	1	Receivable from related parties	8,419	Note B	0.06
		Smar Tech Jeans Process Co., Ltd.	1	Rent revenue	24	Note D	-
		Smar Tech Jeans Process Co., Ltd.	1	Service revenue	2,344	Note D	0.02
		Smar Tech Jeans Process Co., Ltd.	1	Sales revenue	81	Note B	-
		Smar Tech Jeans Process Co., Ltd.	1	Receivable from related parties	1,984	Note B	0.01
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	26	Note B	-
		C Square Investment Co., Ltd.	1	Receivable from related parties	6,782	Note B	0.05
C Square Garment Co., Ltd.	1	Receivable from related parties	12,214	Note B	0.08		
1	Chu Hsing Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	3,020	Note B	0.02
2	Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	492,833	Note C	3.76
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	85,465	Note B	0.58
		Chentex Garment Co., Ltd.	3	Processing income	5,462	Note C	0.04
		C Square Investment Co., Ltd.	3	Processing income	18,859	Note C	0.14
		C Square Investment Co., Ltd.	3	Other revenue	9,280	Note D	0.07
		C Square Investment Co., Ltd.	3	Receivable from related parties	5,749	Note B	0.04
		C Square Garment Co., Ltd.	3	Receivable from related parties	4,459	Note B	0.03
3	Chentex Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	136,750	Note C	1.04
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Processing income	1,750	Note C	0.01
4	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	599,238	Note C	4.57
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	141,520	Note B	0.96
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	3	Processing income	11	Note C	-

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
5	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	\$ 383,598	Note C	2.93
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Processing income	8,029	Note C	0.06
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Receivable from related parties	8,461	Note B	0.06
6	Alpha Textile (Nicaragua) S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	204,463	Note C	1.56
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	63,555	Note B	0.43
7	Nien Hsing International (Bermuda) Ltd.	Phoenix Development & Marketing Co., Ltd.	3	Rent revenue	56,198	Note D	0.43
8	Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	3	Processing income	551,522	Note C	4.21
		Phoenix Development & Marketing Co., Ltd.	3	Receivable from related parties	124,743	Note B	0.85
		Nien Hsing Confeccion Ltd.	3	Receivable from related parties	14,333	Note B	0.10
9	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd.	2	Rent revenue	214,853	Note D	1.64
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	51,837	Note B	0.35
10	C&Y Garments	Nien Hsing Textile Co., Ltd.	2	Processing income	307,291	Note C	2.34
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	24	Note C	-
		Global Garment Co., Ltd.	3	Processing income	53	Note C	-
11	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	333,849	Note C	2.55
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	10,516	Note B	0.07
		C&Y Garments	3	Processing income	499	Note C	-
		C&Y Garments	3	Receivable from related parties	457	Note B	-
		Global Garment Co., Ltd.	3	Processing income	598	Note C	-
12	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	343,314	Note C	2.62
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	9,889	Note B	0.07
		C&Y Garments	3	Processing income	287	Note C	-
		C&Y Garments	3	Receivable from related parties	572	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	2,133	Note C	0.02
		Nien Hsing International (Lesotho) Ltd.	3	Receivable from related parties	189	Note B	-
13	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	400,441	Note C	3.06
		C&Y Garments	3	Other revenue	114	Note C	-
		C&Y Garments	3	Receivable from related parties	68	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	545	Note B	-
		Global Garment Co., Ltd.	3	Receivable from related parties	345	Note B	-
14	Phoenix Development & Marketing Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	36,122	Note B	0.25
20	Chih Hsing Garment (Cambodia) Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd.	3	Receivable from related parties	1,422	Note B	0.01

(Continued)

Note A: Flow of transaction:

1. From parent company to subsidiary
2. From subsidiary to parent company
3. Between subsidiaries

Note B: Collection of receivables is based on the related parties' cash requirements.

Note C: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries made payments depending on their financial condition.

Note D: Related-party transactions had no significant differences from third-party transactions.

Note E: The accounts were eliminated when consolidated financial statements were prepared.

(Concluded)